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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2070



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COOPERATION WITHIN CEMA INTERNATIONAL ORGANIZATIONS OUTLINED

East Berlin AW DDR-AUSSENWIRTSCHAFT in German Vol 8 No 43, 22 Oct 80 pp 1-2

[Report by Information and Public Relations Department, GDR Ministry of Foreign Trade: "Cooperation of CEMA Countries in International Organizations"]

[Text] 'INTERELEKTRO': Nomenclature of Specialized Production To Be Doubled During 1981-1985

Considered a priority for "Interelektro," the international organization for economic and scientific-technological cooperation in the electrical engineering industry is the substantial improvement in the efficiency of production, the speed-up of scientific-technological progress and the maximum satisfaction of the various economies need for high-quality electrical products. Members of this organization, set up in 1973, are the People's Republic of Bulgaria, the Hungarian People's Republic, the GDR, the People's Republic of Poland, the Socialist Republic of Romania, the USSR, the CSSR and the Socialist Federative Republic of Yugoslavia. Since its establishment it has notably contributed to the expansion of the member countries cooperation. Eleven agreements were concluded on multilateral specialization and cooperation in the production of electrical products; these affect the manufacture of a total of 350 types of products. The People's Republic of Bulgaria, the People's Republic of Poland, the Socialist Republic of Romania, the USSR and the CSSR concluded an agreement important for the implementation of the long-range target program for the CEMA countries cooperation in machine construction. This provides for specialization and cooperation in the manufacture of complete feed drives for metal cutting and computer controlled machine tools.

A reflection of expanding cooperation within the scope of "Interelektro" are the dynamically growing reciprocal deliveries of electrical products. To quote just one example: Such deliveries between the USSR and the other member countries of the organization sextupled in 1976-1980 as compared to 1971-1975.

On the agenda is the steady deepening of cooperation in this important industry. At its 93rd meeting in January last the CEMA executive committee, for instance, dealt with the future operations of "Interelektro." It decided on measures designed to perfect the work of the organization with respect to the development of multilateral specialization and cooperation in production and the joint development of standardized series of modern electrical products. At the present time in preparation by "Interelektro" are the protocols on extending existing agreements and drafts of new ones concerning multilateral specialization and cooperation for the period 1981-1985. It is intended to double the nomenclature of specialized production in the

coming five-year plan period. Reciprocal deliveries of electrical products will, therefore, achieve a far greater volume. They will quadruple in the case of low-voltage motors, rise 21-fold with respect to large electrical devices and triple for high-voltage transformers.

In scientific-technological cooperation "Interelektro" concentrates on the comprehensive handling of selected problems. More than 20 agreements on international scientific-technological cooperation provide for the development and transfer to production of standardized series of electrical engineering products. It is intended, for example, to develop standardized series of asynchronous motors, transformers with an output of up to 1,600 kilovoltamperes, automatic switches ranging from 10-1,600 amperes, complete distributor installations with solid insulation for 6-35 kilovolts as well as photometric products and cables.

Long-standing cooperation links, among others, the specialists of the Leningrad Elektrosila Works with its partners in Brno. Together they developed a standardized series of low-voltage asynchronous motors with an output of up to 1,000 kilovolt. The use of thermoreactive insulators allows a lengthening of motor running times. By the optimization of the ventilation part, the total overall dimension of the motors has declined by 20 percent, the consumption of copper and dynamo steel by 12 percent and 15 percent respectively.

USSR, GDR and CSSR specialists developed a series of asynchronous motors type M-4A, which is distinguished by a 20-30 percent lower consumption of cast iron, copper and steel.

At the present time the countries involved in "Interelektro" are working on the new generation standardized series of asynchronous motors. The preliminary project for the new series has already been drafted.

'INTERCHIM': High Degree of Specialization for Low-Tonnage Chemical Products

Members of the industrial organization "Interchim" are the People's Republic of Bulgaria, the Hungarian People's Republic, the GDR, the People's Republic of Poland, the Socialist Republic of Romania, the USSR, the CSSR, the Republic of Cuba and the Socialist Federative Republic of Yugoslavia. It organizes and coordinates cooperation in a section of the chemical industry, the development and output of so-called low-tonnage chemical products in a broad range but relative small quantities, which must be available to every economy. This includes dyes and their intermediates for the textile industry, crop protection substances, ancillary substances for the leather and paper industries as well as aggregates for the production of polymers. A major contributory factor is the specialization of production which encourages optimum output volumes. For example the production of 86 types of crop protection substances is now internationally specialized.

Remarkable results have been achieved in the dyestuffs sector. Cooperation here includes all main types of synthetic dyes. Perfected in the past 10 years were many technological processes relating to dyestuff production; technologies and production results were compared and analyzed as well as quality improved with a view to the needs of modern dyeing and processing procedures. Up to now 11 optimum assortments of dyestuff groups, including some 900 brands of dye, have been assembled. The production of 600 brands of dyestuffs is internationally specialized.

"Interchim" is also proving valuable as an organizational center for scientific-technological cooperation. The member countries are currently working to a coordinated plan regarding the solution of more than 250 scientific-technological problems. In past years more than 300 new production processes were developed within the organization for the production of dyestuffs, various manufacturing processes and procedures standardized and the production assortment expanded.

In the result of cooperation the reciprocal exchange of low-tonnage chemical products has been rising steadily. In the past 5 years trade in crop protection substances has increased by 50 percent. By exchanging coordinated assortments the organization members are currently meeting some 90 percent of their needs of crop protection substances. The exchange of aggregates for polymers is by 170 percent. Trade in synthetic dyestuffs more than doubled.

In the coming five-year plan period "Interchim" will again deepen the cooperation of the countries in research, development and production by way of specialization. Reciprocal deliveries will, consequently, tend to rise considerably.

'INTERMETALL': Annual Exchange of 3 Million Tons of Metallurgical Products

"Intermetall," the organization for cooperation in nonferrous metallurgy, was one of the first international organizations for multilateral cooperation among the CEMA countries. Set up in 1964 its members are the People's Republic of Bulgaria, the Hungarian People's Republic, the GDR, the People's Republic of Poland, the USSR and the CSSR. The Socialist Republic of Romania and the Socialist Federative Republic of Yugoslavia are involved in the organization's work by way of separate agreements. By its work "Intermetall" contributes to the improved satisfaction of the CEMA countries requirements for the products of nonferrous metallurgy. It organizes the exchange of selected metallurgical products and international specialization, affects the utilization of temporarily available output capacities and the expansion of the production of items which are not freely available. It is responsible for drafting proposals on the coordination of investments for the construction of capacities designed to turn out products in short supply, such cooperation to involve the common efforts of interested countries and to include exchanges of experiences and information about research results.

The exchange of metallurgical products within the framework of "Intermetall" is currently based on some 20 agreements and treaties. The Hungarian People's Republic and the USSR, for example, concluded a treaty in 1976 on the specialization of the Hungarian People's Republic in the production of flat cables and the annual delivery of 1,500 tons of flat cables to the USSR. In accordance with a treaty signed in 1977 by the Hungarian People's Republic and the People's Republic of Poland, the Hungarian People's Republic is specializing in the production of flat and round cables, delivering 250 tons per annum to the People's Republic of Poland. The CSSR's specialization in the production of mining rails, for example, helps rationally to use capacities. As per treaty it supplies these also to the Hungarian People's Republic. The exchange of metallurgical products within "Intermetall" has settled down in recent years at about 3 million tons (1966-1970: 1.5 million tons). A series of new agreements on specialization and cooperation in production for the period 1981-1985 is now being drafted.

Aiming to meet the interested member countries demand for metallurgical products in short supply "Intermetall" is carrying out preparatory work for the construction of production capacities by the common efforts of the interested countries. Among the projects planned are a second combined assembly line for the production of packaging sheets in the People's Republic of Bulgaria and a second assembly line for high-quality stamping core plate in the People's Republic of Poland.

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CSO: 2300

EFFECT OF NITROGEN FERTILIZERS ON ENVIRONMENT, CROP YIELD

Prague HOSPODARSKE NOVINY in Czech 24 Oct 80 p 7

[Article by Eng Jiri Stibrál, Construction Geology, Prague]

[Text] There is no need to stress the importance of nitrogen fertilizers in attaining high crop yields. However, their excessive application constitutes not only an environmental hazard, but also endangers yield. This article deals with some problems bearing on this fact.

Our farmers like to apply nitrogen fertilizer. It has considerable impact on crop yield and at the same time reduces expenditures arising from the need to transport nutrients to the fields because of the high concentration of these fertilizers (ammonium sulfate contains 22 percent available nitrogen, urea as much as 48 percent).

But farm manure continues to pose a problem. Straw-based manure is slowly giving way to liquid manure which has a lower content of organic matter. But both fresh straw-based and liquid manure have about the same content of available nitrogen, approximately 0.6 percent of their weight. Therefore, natural manure has a low nitrogen content.

Yield and Pollution Increase

If in a small-scale experiment carried out on a land area of 1 ar half the surface is fertilized with calcium ammonium nitrate and the other with cow manure with the two applications yielding the same amount of available nitrogen and both plots are planted with any cereal, then the crop yield from the plot containing manure as a rule considerably exceeds the yield from the plot to which a chemical fertilizer was applied. This is because in addition to nitrogen, cattle manure contains a number of biogenic elements important for plant growth and also a tiny amount of mucins and growth stimulants contained in animal urine. The physical composition of manure also plays a role in that it heats and aerates the soil when decomposing and further establishes a favorable carbon-to-nitrogen ratio in the soil.

Most farmers know all this. Still, in practice supplemental fertilizer, and on certain land areas all fertilizer, is applied in the form of chemical fertilizer as a dust, and recently also as a liquid. The practice of applying increasing doses of fertilizer causes excessive losses by leaching into surface, drainage and ground water.

Each plot of arable land has its optimum fertilization level depending on soil characteristics and type of soil, elevation, substrate geology, accepted method of tilling and type of crop planted. When this optimum level is exceeded (especially in the case of a specific crop and amount and distribution of annual precipitation) yields will continue to rise for a certain time, but at the cost of rising water pollution. Studies conducted by us in 1978 on light sandy loamy soil suitable for growing potatoes revealed that while doubling the application of 70 kilograms of available nitrogen per hectare increased in one case the yield of spring barley by 25 percent, it also increased ground water pollution by 220 percent.

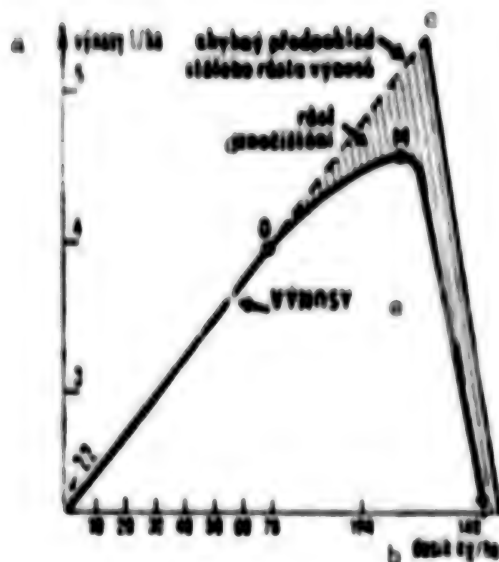
The relationship between yield increase and the increase in the amount of fertilizer applied is expressed graphically. Since the diagram reflects the situation existing in extremely sandy loamy soil, its results cannot be automatically applied to loamier and heavier soils. The diagram is designed to demonstrate in a simplified manner the actual increase in yields as a function of the amount of fertilizer applied and the inherent drawbacks. While this is merely a crude illustration of the processes taking place, it does highlight the need to consider also ground water protection when determining the desirable level of yield increase from our fields.

Countries with large per capita arable land areas (for example the USSR, the United States and Canada) aim at lower yields with minimum expenditures (yields between 1.6 to 2.8 tons per hectare). Except on arable land on which corn, root crops and some other crops are grown, comparatively small amounts of fertilizer are used.

In the CSSR the situation is different because the per capita arable land area is only 0.32 hectare from which also relatively high cattle stands must be fed. Therefore, we are second highest among socialist countries (behind the GDR) in the use of fertilizer and unfortunately also second highest polluters of surface and ground waters.

Where Is the Optimum and Where the Minimum?

Therefore, the question where to fertilize for optimum effect and where for maximum yield must be weighed very carefully, taking into account all known factors bearing on yield, and also on environmental quality. Such determination is rendered more difficult by the fact that optimum and maximum values are not constant and valid under all conditions, but can be improved, of course only with up-to-date knowledge of scientific facts, appropriate technology and the complex ecological interrelationships existing in soil used for agriculture. The most important advance must come from strain improvement work yielding strains with an improved root system and solar radiation absorption capacity.



Grown: water pollution increase and decrease of yield resulting from excessive fertilization of experimental plots of land with nitrogen (0-optimum; M-maximum)

Key:

- a. Yield in tons per hectare
- b. Nitrogen in kilograms per hectare
- c. Erroneous assumption of constant increase of yields
- d. Rise in pollution
- e. Yields

Further improvement in yields is made possible by advanced agricultural technology and proper care for soil, including soil improvement, chemical crop protection, the use of growth stimulants or retardants in the form of morphoregulators of the chlorcholine chloride type which stimulate protein transportation from the straw and roots to grains in the ear. From what has been said it follows that the choice of fertilization for optimum results will be applied mostly in water resource protection zones.

In this decade these outer zones are expected to encompass 770,000 hectares. Here the principal objective will be to ensure an adequate supply of high-quality drinking water combined with maximum available protein formation. Therefore, the aim will not be the achievement of maximum, but optimum yields of root crops and cereals. This implies increasing the areas of temporary and permanent pasturelands on arable land in zones with suitable climatic and soil conditions. Chemical nitrogen fertilizers should also be used very carefully on the vast land surfaces situated on aquifers especially in Bohemian limestone areas and in South Bohemia tertiary basins.

In the other arable land areas the achievement of high yields will obviously gain priority over environmental protection. But here, too, the effect should be made to achieve maximum utilization by the cultures of the nutrients supplied and minimum water pollution. Excessive application of fertilizer predicated on the false premise of an infinite rise in yields with steadily increasing doses of fertilizers is a blind alley leading to unbalancing the ecological system and devastation.

Using All Experience Acquired

What can be done to ensure maximum utilization of nutrients from fertilizers by crops? In water resource protection zones the proportion of pastureland needs to be raised at the cost of root crop cultures and partly also cereal cultures. Pastureland cultures absorb great quantities of nutrients in their roots and in symbiotic microorganisms. Therefore, if nitrogen fertilizer is supplied in three low concentration applications, then also water resource protection zones can be fertilized without any appreciable danger of water contamination. Water derived from pastureland fertilized by annual doses of up to 100 kilogram per hectare meets drinking water quality requirements high enough for infants.

Consequently, high yields of available proteins can be produced without polluting ground water. But of course, insisting stubbornly on growing root crops and cereals in these zones renders attainment of this objective impossible. Kraj and okres agricultural production administrations, together with water management departments of the respective national committees, must therefore resolve these problems administratively.

Decree No 107/1978 of the Code is also not being observed in practice as it should be. This decree indemnifies farming enterprises for the economic loss incurred by reducing fertilization to the level mandated for water resource protection zones. Of course, the decree speaks only of surface waters. This makes ground water protection difficult. In addition, the application of this decree renders payment of indemnification contingent on the application of simultaneous measures aimed at raising yields on other plots of land.

It makes a difference whether spring or winter cereals are planted where high protein crops must be grown in protected zones. Winter cultures cover the soil for most of the year. This enables them to utilize available nutrients to better effect as evidenced by higher average yields per hectare.

A comprehensive approach is called for in making the best use of nature's laws and dynamic processes taking place in the soil. How important this is can be seen, for example, in the life span of earthworms. Earthworms, whose life span is 8 years on the average in pastureland, live only 2 years in fields where agrotechnical and mechanical operations take place. While the number of species living in pastureland soil runs into hundreds, in fields they are present only in tens.

It would appear that this knowledge is of no importance for practical agriculture, but 10 to 15 percent of the soil fauna is pure nitrogen. The greater

the proliferation of soil fauna, the more of the nitrogen supplied remains in the soil long enough to be utilized by plants. The effectiveness of the soil filter increases with the number of tiny particles of physical loam and organic matter. Live macro- and micro-organisms are living nitrogen storage depots. This nitrogen becomes available gradually after their death and subsequent mineralization. Therefore, the living component of soil is indispensable for reducing the leaching of nutrients into ground water.

Research work carried out in cooperation with the Agricultural School of Higher Learning in Prague at Samín near Pacov on an area of 30 hectares has demonstrated the importance of the frequently overlooked role of the live soil component. On plots fertilized with 70 kilograms of nitrogen per hectare, the estimated quantity of nitrogen made available by the mineralization of macrodaphnion is approximately 136 kilograms per year. In contrast, on land fertilized excessively by 140 kilograms of nitrogen per hectare the environment for soil macrodaphnion is affected adversely to the point where only about 90 kilograms of nitrogen become available annually from its reduced numbers.

The objective of this article is to point out the need for comprehensive understanding of the interplay of absorption dynamics and utilization of nutrients from nitrogen fertilizers by agricultural crops. Here our scientific and research base still has a long way to go if it is to do justice to practical agriculture. It cannot, from its high position, operate only with general interdictions which free it from responsibility. On the contrary, at least in exposed areas with conflicting interests, the work of agricultural enterprises must be carried on carefully and responsibly without harmful adherence to preconceived notions. Only in this way will the soil of our country not only feed us, but also ensure the availability of safe drinking water.

8664

CSO: 2400

HUNGARY

1981 ECONOMIC REGULATION SYSTEM DISCUSSED

Budapest FIGYELŐ in Hungarian No 45, 5 Nov 80 p 5

[Article by Peter Medgyessy, "Economic Regulation, 1981"]

[Text] It is slowly becoming a tradition to have fairly substantial changes in the economic regulators one year before the beginning of each new medium range plan period. The justification for this might be summarized as follows:

--This method provides a more reliable basis for economic planning work because the first experiences with the changes can be used in the plan period;

--setting the time forward provides orientation for enterprise foresight and the preparation of 5-year enterprise plans, and

--the necessary corrections can be realized on a secure foundation simultaneous with the introduction of the next 5-year plan on the basis of the first experiences.

The modification of the price and economic regulator system took place on 1 January 1980 starting from these principles.

Experiences Thus Far

On 1 January 1980, we introduced a regulator system adjusted to the economic policy line of the Sixth Five Year Plan. The experiences of the 10 months of the year which have elapsed thus far show that the regulator changes basically brought the results expected. Economic policy correctly designated the chief tasks and economic practice as a whole has developed in harmony with the economic policy goals.

In the period of 1980 thus far the harmony between the production and use of national income has developed a good bit more favorably than before, primarily as a result of limitations on internal use. Some tend to underestimate this, feeling that there has been a change only in the use of incomes but that there has been no profound restructuring in production. A few observations must be made in regard to this view. The indirect nature of our economic guidance makes it obvious that direct central directives determining production are not used or are used only very rarely and in a narrow sphere. Thus the central aspirations are realized primarily in an indirect way, via the development of incomes. In the event of a consistent

realization of a suitably selective and strict income policy results can be achieved even in the short run. A suitable control of income use, a rational limitation on unfavorable activities, if necessary reducing them, and increasing the possibilities for good activities (relatively speaking within the framework of present economic conditions) must produce a transformation of the economic structure. (We are using the term "economic structure" in a broad sense here, to include the transformation of production activity, the investment structure and, in a certain sense, the consumption structure too.) But modification of the economic structure is necessarily a time-consuming process the results of which may appear in only a few areas within one year, where the reserves in this sense are large or where the reaction capability of the economic units is much swifter than the average. Thus if we evaluate accordingly the results achieved with the control of the domestic use of national income we must aim at the soonest possible development of profound structural changes.

The improvement in the economic balance in 1980 will probably be in accordance with what was planned, and in a few areas will be swifter than expected. The foreign trade balance will probably develop about as planned in ruble accounting foreign trade. In the non-ruble accounting relationships, as a result of great efforts extending over 2 years, we expect a foreign trade balance which is close to being balanced. In both chief relationships our terms of trade are developing more favorably than expected. One can even imagine a mild improvement in the terms of trade in the non-ruble relationships if there is no fundamental change in the last 2 months of the year as compared to earlier months.

The deficit of the state budget is expected to develop about as planned. Although the producers price level will be a good bit higher than calculated, the increase in consumers prices will, in essence, not exceed the approved magnitude. The social need for a central money supply for communal tasks is not decreasing at the same rate as the moderation in economic growth. The so-called net payments in, reduced by enterprise supports, may be more favorable than planned. The state share from extra enterprise income is somewhat smaller than calculated.

The balance on the investment market is better than in earlier years, and this is especially true in the case of some construction activities. We should regard it as an achievement that the situation on the consumer market has not deteriorated despite the slowed economic growth and a foreign trade balance which is developing better than expected.

The rate of economic growth has slowed. In evaluating this it should be remembered that with the present conditions of the production structure a swifter growth would not have ensured the already frequently mentioned swift improvement in the foreign economic balance. In some areas of the economy capacity utilization has deteriorated; we think, however, that this need not be evaluated negatively if we are talking about producing equipment which could be used only uneconomically or at very low efficiency under present conditions. Enterprising spirit has declined somewhat but this is certainly a temporary phenomenon for the majority of the enterprises. It was a good bit more difficult than earlier to gauge the effects of the new price system, there was greater uncertainty in enterprise management than earlier and some of the enterprises took a wait-and-see position, to which the price stop of the first quarter contributed.

As a result of central measures we expected that enterprise profits would decrease substantially as compared to a year ago. Our present information shows that profits will be greater than calculated, even greater than last year, despite a production volume lower than planned. This happened in part as a result of better enterprise work than expected and in part as a result of the customary laxity in enterprise calculations at the time of the more significant central price adjustments. The more favorable than planned terms of trade also contributed to the higher enterprise incomes. A part was played also by the cautious wage policy and the initial results of the efficiency improving structural transformation. At the same time the producers price level, which was higher than expected, increased the profit content of the prices independent of the work of the enterprises.

Excess profits, as compared to what was calculated, arose in branches which do not fall under the so-called competitive world market price formation rules, so they could increase their profits more easily than in the case of competitive price formation adjusted to strict requirements. Excess profits also arose in trade. From the viewpoint of general purchasing power control this causes problems but from the other side it is certainly a better foundation for the development of a more independent trade policy with greater initiative, which has been demanded so often earlier. Finally, excess profits also arose in areas where much better export prices than earlier could be obtained as a result of sudden changes in the world market business cycle.

In calculating their wage indexes the enterprises recalculated their 1979 profits to the 1980 conditions according to a centrally provided method. There were many errors in the calculations; independent correction of these was possible up to 15 October. In addition to the corrections the repricing also put the enterprises into a relatively comfortable position from the viewpoint of wage development next year--in some cases independent of their work. This had to be taken into consideration when adjusting the 1981 regulators.

In sum the 1980 results thus far and those expected prove that there is no need for radical changes in regulation for 1981. The changes will have the character of adjustments and can be regarded as a more consistent application of the valid regulation. Their goal is to adequately realize the requirements of the prescriptions of the Sixth Five Year Plan and the 1981 annual economic plan and to lay suitable foundations for management in 1982--especially from the viewpoint of the regulation of development.

The Trends of the Adjustments

If the desired changes in economic structure are to begin we cannot relax the domestic use of national income as restricted by rational limits. From the viewpoint of the tools of economic regulation we must begin the Sixth Five Year Plan in such a way that further restrictions on the general control of purchasing power should not become necessary in the course of the five year plan period. We should strive to see that the results of the general improvement in the economic balance should gradually appear in the state budget also--within the five year plan as a whole. The chief trend in the interest of the financial balance is to reduce the exceptions and individual judgments which have become unjustified in the meantime.

The profit, which is higher than calculated, justifies a reduction in the exceptions. We have selected a moderation in preferences as an important tool for the regulation of purchasing power; this method is supported by the fact that excess profits are useful to society if state preferences and supports do not contribute to them, if the excess profits derive primarily from better work. In the contrary case a moderation of the exceptions is justified.

The new price system introduced in 1980 must be made more consistent. In harmony with this there is need for even more flexible control of competitive price formation while in the non-competitive areas there must be a strengthening of the role of prices in encouraging energy and material conservation.

Flexibility must continue to be maintained in rate of exchange policy. In harmony with this and in the interest of preparations for 1981 there was a change on 15 October in the transferable ruble rate of exchange for the forint. There is need for similar flexibility in the case of convertible exchanges also. Adjustments in the rate of exchange must serve our foreign economic balance interests, an improvement in economic efficiency and protection against inflation. Counterbalancing rate of exchange changed with economic methods can take place with the tools of rate of exchange insurance. There are still enterprises which do not take advantage of the possibilities offered by rate of exchange insurance although that would be in their interest. At the same time, in the period ahead, it will become necessary to modernize the conditions of the rate of exchange insurance system. This is demanded by the greater flexibility in rate of exchange adjustments of smaller magnitude and by the fact that rate of exchange insurance is becoming a profitable business.

The New Scales

The essential elements of the regulator changes are as follows:

Beginning on 1 January 1981 the city and community development contribution will be 15 percent instead of 10 percent. Calculations prove that reducing the individual exceptions alone will not suffice for a reassuring solution of purchasing power control. In the latter years of the five year plan this will be the only way to keep the enterprise investment process within bounds. Increasing this type of tax is also advantageous in that it represents council income and creates favorable conditions for planning council management. The new council management regulation promulgated in 1980 will go into effect next year. In the spirit of this even the taxes on state agriculture will be paid in to the councils. At the same time a definite proportion of the profit taxes on council enterprises must be paid in to the councils. In addition to greater security for council management we expect from this measure that in the future the councils will turn increased care to the management of small and medium plants, helping their operation and development.

New technical development keys will go into effect beginning on 1 January of next year. The changes are differentiated; in areas really requiring technical development the keys will not change and may even increase somewhat; but in other areas they will decrease. As a result of this differentiation the technical development keys as a whole will be in harmony with the national middle-range research and development plans.

Since our price system is gradually being tied to world market prices and enterprise risks connected with price changes are increasing as a whole, the role of risk funds is increasing in several areas and we should provide possibilities for the creation of new risk funds. Thus in the case of products increasingly at the mercy of the export business cycle it will be possible to create an export risk fund; in consumer goods trade a part of the various extra receipts will generally increase the risk funds of the enterprises. At the same time the guide profit keys, which are higher than intended, will be reduced for some product groups.

There will be a moderation in the rebate of differential producers turnover taxes in light industry since the previous scales are not justified by the most recent calculations. The scale of support extended to agriculture and the food industry will be reduced; the differential producers turnover tax rebates, which were imprecise earlier and which were temporarily suspended, will approach uniform conditions in ferrous metallurgy and in the vegetable oil industry in that they will be set at 5 percent beginning next year.

In the interest of balancing the 1981 investment market, we will gradually reduce the amortization payment preferences applied as an exception thus far. There will be general amortization payment requirements in coal mining, the production of soda-water and soft drinks, wholesale trade and shop retail trade. From the viewpoint of the centralization of amortization there will be a gradual approach to general conditions in the lime and cement industry, the meat and poultry industry, highway and taxi transportation and the catering industry.

In the interest of a coordinated wage flow in the regulation of personal incomes, the wage development realized in 1980 and the wage reserve generated in this year combined cannot exceed 15 percent of the 1979 wages. The reserves generated prior to 1980 must be combined with the reserves generated in 1980 and there can be at most an additional 3 percent wage level increase from the wage reserve over and above the wage development which can be carried out on the basis of the results of management in the given year. Wage reserves larger than this can be used to increase the real wage level only up to 4 percent. Deficit enterprises or enterprises lacking fund, which enjoy central financial preferences, can carry out a wage development of no more than 4 percent until their financial situation changes. These measures for use of the wage fund, representing wage controls, are very necessary because otherwise, due to the previously mentioned problems with base calculations, the enterprises could have used wage development possibilities which are independent of real efficiency.

In general the 1980 values of the wage multipliers connected with wage controls tied to performance and of the centrally determined wage development possibilities will remain in 1981, the exception being in foodstuffs trade where the value of the wage multiplier will increase from 0.15 to 0.20 percent to ensure adequate interest.

In management for 1981 in areas using wage bill regulation tied to performance the wage bill which can be used must be modified to a value of not more than a 10 percent decrease of the wage development index.

Large agricultural operations working with an unchanged or decreasing wage bill can increase their wage levels above the given possibility by 3 percent instead of the present one percent without paying taxes.

The so-called catch-up rule and the unchangeability of higher than average head quotas will remain in the generation of enterprise welfare and cultural funds. Beginning in 1981, the personnel proportional part which can be generated will be 1,000 forints.

The upper limit of the award based on a comprehensive evaluation which can be given in the material incentive system for workers in higher leadership positions, will be a uniform 20 percent independent of enterprise category.

The regulation of agriculture will be modified in several points too, in harmony with the general line of regulator modification.

It can be seen even from this survey that while regulator elements will change in relatively numerous points, the changes basically serve to strengthen the character of the regulation now functioning. The expected effect of the changes is that those who are managing well and efficiently will be more courageously enterprising, knowing the conditions, that the weaker ones will show greater thought in undertaking their obligations and that both types of enterprise, under the combined effect of incentive and constraints, will more quickly change, adjusting their economic structure to the higher requirements. As a whole, the income distributing role of the state will be moderated so that relatively fewer supports will have to be given where they will not bring the results expected. Thus the chief intent guiding the correction of the regulators is that an improvement in the economic balance should become a lasting tendency of our economic development.

8984

CSO: 2500

LAW ON EXECUTION OF 1979 BUDGET PUBLISHED

Budapest MAGYAR KOZLONY in Hungarian No 73, 2 Oct 80 pp 1012-1013

[Law No II, 1980, Concerning Execution of the 1979 Budget of the Hungarian People's Republic]

[Text] 1. The National Assembly approves the report pertaining to the execution of Law No III, 1978, concerning the 1979 budget of the Hungarian People's Republic with receipts of 411,566,000,000 (four hundred eleven billion five hundred sixtysix million) forints,

with expenditures of 415,166,000,000 (four hundred fifteen billion one hundred sixtysix million) forints, and

with a deficit of 3,600,000,000 (three billion six hundred million) forints.

Detailing of Receipts

2. (1) The state enterprises, industrial cooperatives, consumer, marketing and acquisition cooperatives and cooperative enterprises paid into the budget, under the headings of profit tax, city and town contributions, fee on assets, wage tax, social insurance contribution, production tax, turnover tax, duties and import trade tax, centralized amortization and other headings, 323,875 million forints; which is 78.7 percent of all receipts.

(2) The agricultural cooperatives paid into the budget, under the headings of taxes and social insurance contribution and city and town contributions, 12,199 million forints; which is 3 percent of all receipts.

(3) The populace paid into the budget, under the headings of taxes and fees, and social insurance and pension contributions, 22,568 million forints; which is 5.5 percent of all receipts.

(4) Various receipts from central and council budgetary organs, domestic credit operations, international financial contacts and other sources come to 52,924 million forints; which is 12.8 percent of all receipts.

Detailing of Expenditures

3. (1) The sum accounted to investment, subsidies for finances for council developmental funds, state support for private housing construction, increasing circulating funds connected with the several state investments, subsidies for enterprise developmental funds and support of agricultural cooperative investments comes to 81,912 million forints; which is 19.7 percent of all expenditures.

(2) The sum turned to state rebates aiding production and trade of state enterprises, industrial cooperatives, consumer, marketing and acquisition cooperatives and cooperative enterprises and to endowments, production price subsidies, consumer price subsidies, import price supports and other state support and to operational support of agricultural cooperatives and to supplement the Agricultural Producer Cooperative Pension Fund comes to 135,376 million forints; which is 32.6 percent of all expenditures.

(3) The sum used to satisfy international payment obligations, to pay interest and to carry out other budgetary tasks comes to 28,590 million forints; which is 6.9 percent of all expenditures.

4. (1) The sum accounted to operation and maintenance of budgetary organs and to social insurance payments and services comes to 169,288 million forints; which is 40.8 percent of all expenditures.

(2) The sum mentioned in paragraph (1) breaks down as follows:

18,266 million forints, or 4.4 percent of all expenditures, for health and social tasks, including maintenance of hospitals, clinics and other in-patient and out-patient treatment institutions, maternity, infant and child care, public health and epidemiology services, other health and social purposes, and contributions connected with the operation of resorts,

31,289 million forints, or 7.5 percent of all expenditures, for cultural tasks, including maintenance of nurseries, lower, middle and higher education, child and student welfare institutions, scientific research, public culture and art institutions and sport facilities,

15,397 million forints, or 3.7 percent of all expenditures, for defense,

10,125 million forints, or 2.4 percent of all expenditures, for law and security,

6,144 million forints, or 1.5 percent of all expenditures, for central and local administration,

18,960 million forints, or 4.6 percent of all expenditures, for industrial, agricultural and forestry, road and bridge maintenance, urban and community management, water management and other economic tasks carried out by budgetary organs, and

62,239 million forints, or 15 percent of all expenditures, for social insurance tasks, including family allowances, benefits, child care and other cash aid, therapeutic services, pensions and other services.

Closing Provisions

5. The National Assembly takes cognizance of the activity of the Council of Ministers and of the Minister of Financial Affairs carried out on the basis of the authority contained in Section 13 of Law No III 1978 in the interest of execution of the 1979 budget and of the fact that in the course of this activity the main sum of prescribed expenditures was exceeded by 4,366 million forints and, further, of the fact that this exceeding of the prescription was covered by extra receipts to the same amount.

6. The national assembly takes cognizance of the fact that within the sums mentioned in Section 1:

the receipts of central organs constituting an independent budget heading--as increased by social insurance and pension contributions--exceeded the prescription by 1,656 million forints while their expenditures exceeded the prescription by 1,966 million forints, fulfillment by heading being in accordance with Attachment No 1,

state contributions to the budgets of the councils exceeded the prescription by 2,679 million forints and state contributions to their developmental funds exceeded the prescription by 1,815 million forints, fulfillment by heading being in accordance with Attachment No 2.

7. This law goes into effect on the day of its promulgation.

signed--Dr Rezso Trautmann, vice president of the Presidential Council of the Hungarian People's Republic

signed--Imre Katona, secretary of the Presidential Council of the Hungarian People's Republic

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CSO: 2500

STRUCTURAL POLICY PROBLEMS OF ECONOMY DISCUSSED

Budapest KULGAZDASAG in Hungarian No 8, Aug 80 pp 3-11

[Article by Bela Kadar: "Strategic Interrelations of Hungarian Structural Policy"]

[Text] In the 1970s, the experience of ever more countries--including Hungary--demonstrated that the problems of the economy's growth rate and equilibrium were increasingly of a structural nature. Structural policy has gained in significance also in our country, and its content today is to ensure consistent objectives in development strategy and a more active role of the economic processes. The timely tasks of structural policy can be grouped under the following headings: liquidation of the lag in the sector of services, further development of the industrial structure, improvement of the export structure, a policy of incomes commensurate with performance, and streamlining the economy's organization.

Increasing Significance of Structural Policy

Structural transformation's acceleration on an international scale, the appearance of new products, technologies and producers, the greater emphasis on the factors of competitiveness, the unfolding of new social-psychology processes, and the shift in the international balance of power have opened a new stage in the development of the world economy, a stage strongly noticeable already during the past decade. Everywhere in the world this stage increasingly raises problems that the Western countries are able to solve neither through their market mechanisms, nor through the application of a business-cycle policy for correcting the market trends, respectively of the other traditional instruments of state intervention. It has become increasingly clear that economic equilibrium and growth are related ever more to structural factors and their renewal, and that adjustment to the new socioeconomic processes of our age cannot be imagined without the elaboration and implementation of a structural policy which takes into account the national- and world-economic interrelations.

In a strategic sense, structural policy is striving to develop proportions of economic activity such that unambiguously enhance the realization of society's long-range objectives. Structural policy's objectives, instruments

and institutional framework are closely linked to the individual national states' systems of objectives and to their conditions of growth. The basic substantive determinants of structural policy are related to the reproduction process, but historical experience shows that structural policy reflects considerations of politics and power politics, to an extent that varies by countries and periods and is often excessive.

In Hungary, just as in other socialist countries, the requirement of the economy's plan-conforming and proportional development stems from the nature of the production conditions, and in this sense structural policy has a longer past in economic history. Similarly as in other CEMA countries, the beginnings and roots of Hungarian structural policy are associated very distinctly with the liquidation of the inherited historical backwardness, with the formation of socialist production conditions, with the implementation of socialist industrialization. Hungarian structural policy achieved the outlined objectives essentially in 15 years, by the mid-1960s. During the following decade, in conjunction with the realization of the primary objectives and with the emphasis on developing the system for managing the economy, uncertainty arose as to what were the specific tasks of structural policy in the intensive stage of economic development. The view was advanced, by no means infrequently and quietly, that Hungarian economic growth and the structure of production and consumption could switch--after the elimination of the historically evolved structural distortions--to some historical growth path and standard structure that were common to all countries, and that Hungary could follow--essentially as a function of the level of development at any given time--the structural-transformation processes of the countries ahead of it along the common path of economic growth. According to other views, socialist industrialization essentially solved the task of transforming the macrostructure, and therefore in industrially developed Hungary there remained only the task of developing further the product structure, which had to be done by enterprise management, the microsphere. Occasionally there were views also to the effect that decisions to ensure the expedient structure of the Hungarian economy could be reached through enterprise improvisations, on the basis of cost-benefit analysis at any given time, rather than through a comprehensive structural policy.

The processes of the world economy, unmistakeable since prices began to skyrocket in 1973, finally made us aware that in a structural sense the external and internal conditions of Hungarian economic growth have been altered: the world market has drastically revalued downward, and in a few instances slightly upward, the outputs of important Hungarian sectors and subsectors. The offsetting of these consequences, the rapid regrouping of Hungary's growth resources to those sectors and areas of economic activity that were better able to compete internationally, prompted the upward reassessment and conceptual further development of structural policy. The altered conditions and requirements of growth also underscored the fact that the scientific and economic-policy delineation of the different spheres of structural transformation is by no means apt: modernization of the microstructure presupposes development of the macrostructure. And

the realization is likewise spreading that an assessment of whether or not the proportions of the economic structure are expedient cannot be based on an input-output table approach, on some technostructuralist perception, nor on a fetishism of the quantitative growth rates, not to mention the fetishism of the requirements of stability. The substantive limits of Hungarian structural policy today are outlined primarily in conjunction with ensuring that the development-strategy objectives are consistent and that the economic processes play an active role.

While recognizing the importance of the rather wide-ranging tasks in the sphere of enterprise management, in the following I would like to dwell on the macroeconomic interrelations of structural policy, and within this on those problems of the production structure, foreign-trade structure, income structure and organizational structure that appear to be the most timely.

Sectoral Structure of Production

In many countries, particularly during periods of relatively high economic growth rates, policy may devote little attention to the developmental proportions of the individual sectors of production. But the economic-policy significance of the production structure's proportions increases in historical situations such as when sudden change in the conditions of growth alters within a short time the developmental prospects of the individual sectors and subsectors, when the speed and effectiveness of adapting to the changed conditions directly affect the internal and external components of relative political equilibrium and, in more-serious cases, may quickly change into a question of power.

The past decade witnessed a change of stages not only in the development of the world economy. It was in the 1960s and 1970s that Hungary, which had embarked on the path of industrial revolution more than a century ago, finally reached the stage of intensive economic growth based on a developed industry. After World War II (in 1949) agriculture still produced 42 percent of national income and accounted for 56 percent of total employment. Its share at present dropped to 18 percent. At the same time, industry's share increased from 32 to 50 percent of output, and from 23 to 34 percent of total employment. Industrial goods now account for more than 70 percent of Hungarian export (based on the SITC [Standard International Trade Classification]).

Within the output of industry, which has become the decisive branch of the economy, engineering's share increased from 26 percent in 1965 to nearly 30 percent at present; the chemical industry's share, from 8 to 16 percent; and metallurgy's share, from 6 to 10 percent. Simultaneously the food industry's share dropped from 21 to 19 percent; and light industry's share, from 24 to 16 percent. The central development programs, the programs for developing the natural-gas industry, aluminum industry, the production of highway vehicles, the petrochemical industry and computer technology, played an outstanding role in transforming industry's macrostructure. These development programs meant the rapid regrouping of financial, technological and manpower resources, transformation of the product structure, improvement

of our ability to compete, and even utilization of the human factors of growth. During the quarter century following World War II, barely one-third of Hungary's investment resources (about one-half of the OECD average) was allotted to developing the infrastructure, the proportion of manpower employed there declined, and migration from industry to services began only in the 1970s, on a very modest scale. Although the Fourth Five-Year Plan, drafted at the time of the economic mechanism's reform in 1968, called for developing the nonproductive branches at above-average rates, the present plan period is not characterized by a continuity of this objective. The tasks of Hungary's structural policy--in conjunction with the objective international processes, and with the objectives of developing Hungary's external economy, standard of living and technical level--unambiguously center around liquidating the lag of the sector of services.

Another principal source of the phenomena of structural disequilibrium in the Hungarian economy is the selection of objectives for industrial development. As the heritage of an import-substituting, defensive development strategy, which in the long run is rarely successful in the case of small countries, manufacturing accounts for merely 60 percent of the total industrial output in Hungary, a country that has a paucity of raw materials by international comparisons. This share is much smaller than on average in the industrially developed OECD countries. Manufacturing accounts for about three-fourths of the total industrial employment, but for barely more than one-third of the fixed assets in industry. At the same time, in conjunction with the efforts to expand the domestic fuel and power base, the energy sector received 35 percent of the total investment in industry in the period 1975-1980, and substantial investment resources were allotted to the raw- and basic-materials sectors.

It is indisputable that the situation evolving in the 1970s in the world economy and world politics universally upgraded the strategic significance of economic relations, and hence also of the strategic and security-of-supply components of economic development. Several countries also experienced that it was more simple, and paradoxically sometimes also more profitable, to export low-technology products and raw and basic materials, than products processed to a higher degree of fabrication. It is likewise a familiar relationship of the system of management that management of the fuel and power industry for the purpose of expanding the production base requires centralization, whereas technical-economic development for the purpose of reducing the specific consumption of raw materials and energy requires mostly a large number of decentralized measures. And it is also indisputable that centralized systems of management and decision-making are able to function much more easily in the fuel and power, metallurgical and mining industries than, for example, in light industry or engineering.

With due consideration also for the mentioned relationships, it is not advisable for a small country to adopt a structural policy that is primarily defensive, and to allocate resources in a way such that will inevitably slow down the development of manufacturing. From the viewpoint of selecting the objectives, modernization of Hungary's structural policy urgently

requires the preferential development--based on the relative harmony of Hungary's comparative advantages, and of the requirements of international technological and structural development--of such branches as, for example, electronics, the food industry, the pharmaceutical industry, the instrument industry, and aluminum fabrication.

In several sectors and subsectors the tasks of structural policy involve not only an increase in the proportion of the product groups that represent a higher level of quality and modernness, but also the implementation of production-curtailment programs coordinated with the requirements of international economic cooperation.

The sectoral organizing principles of curtailment may be grouped under the following headings: slowdown of the development of the material- and energy-intensive sectors that intensify the Hungarian economy's hunger for raw materials and energy, as well as of the sectors that rely less on domestic raw materials and basic materials, are in conflict with the requirements of the division of labor with the developing countries, and technologically and structurally are by no means pioneers in their fields; and correction of the oversupply considerations in the energy programs.

The curtailing of development on the basis of the world economy's requirements undoubtedly could induce "shock" in certain subsectors, and in organs representing interests divergent from those of the national economy. On the basis of international experience, however, it is hardly questionable that in the long run shock therapy will produce also a beneficial effect, by alleviating the problems that stem from manpower shortages, excessive raw-material consumption and from tying down excessive amounts of capital. Gradual liquidation of the branches whose efficiency is low will influence economic circulation favorably, will create a community of interests with the special-interest groups that carry considerable weight in the developing countries' structure of economic-policy decisions, and will provide favorable prerequisites for expanding the foreign markets of the modern, export-oriented branches that are of key importance from the viewpoint of transforming the structure of the Hungarian economy.

Structural Policy and International Economic Relations

The Hungarian economy's sensitivity or vulnerability to the world economy is extremely high even by international comparisons. Due to this, a fundamental task of structural policy is to adapt the proportions of the reproduction process to the long-range processes of international development. By international comparisons Hungary is a small country with a small population, on the average level of development, the dimensions of its economy are small, and it has a paucity of natural resources. Consequently Hungary has been and will be unable to set itself up as self-sufficient on a large scale, to economically develop modern industries based solely on the demand of its domestic market. The Hungarian economy's structural transformation is clearly reflected in the fact that within Hungarian export in the period 1965-1979 the proportion of industrial goods increased from 5 to

73 percent, and within this from 36 to 62 percent in trade with the OECD countries. Beginning with the past decade, Hungary thus appears as an exporter of industrial products not only in trade within CEMA or with developing countries, but also in trade with the developed capitalist countries, and Hungary's external economic relations are unfolding primarily within the framework of the international division of labor within industry.

Economic cooperation with the CEMA countries has been influencing already for three decades the Hungarian economy's structure. For example, one-half of Hungarian export to the Soviet Union, our largest trading partner, takes place within seven major specialization and cooperation agreements. Most preferentially-treated central development programs essentially are linked to long-term cooperation agreements with CEMA countries and, within CEMA cooperation, structural policy and the policy on external economic relations are intertwined also institutionally.

Hungary's latest structural-policy problems have arisen in cooperation with nonsocialist countries. Through a 20 percent worsening of our terms of trade, the world market devalued the structure of Hungary's external economic relations, and this devaluation makes itself felt also in relations with CEMA. On the import side the structural problem is that accelerated Hungarian industrialization subsisted for about 25 years mostly on the import substitution of finished products and on the vertical processing of imported raw materials, and in accordance with this the proportion of raw materials is higher, the proportion of semifinished products and machinery is lower, and also the extent of specialization is lower than in the case of most economically developed or intermediately developed small countries. Thus the relative rise in the prices of raw materials and the unfolding of industrialization in developing countries are limiting at present, and will continue to limit in the future, the possibilities of industrialization based on the processing of raw materials.

Engineering accounts for barely one-fifth of Hungary's export to nonsocialist countries; ferrous metallurgy and light industry, for one-eighth; and the chemical industry, for one-tenth. A significant proportion of Hungary's farm export encounters the barriers of agricultural protectionism in Western Europe, and the bulk of industrial export consists of commodity groups whose prices have been rising slowly, on whose international market a structural oversupply developed in the 1970s, and whose competition is increasing even from developing countries, based on cheap labor, cheap raw materials, and trade-policy and credit-policy preferences. With the present commodity structure of Hungarian export it is becoming less and less feasible to make this export profitable, to increase it, and to reduce the balance-of-trade deficit in relation to the OECD countries. In the long run or on a larger scale, it will not be possible to maintain even with the CEMA countries the export practice that is based on the processing of raw materials procured for convertible foreign exchange, or on the installation of subassemblies into turnkey plants.

The centerpiece of the new Hungarian strategy on external economic relations that was announced in October 1977 is the structural modernization of the economy and of external economic relations. The eclipse of the rate-centric perception of economic growth, the increased proportion of export-oriented development projects, the use of a larger share of the foreign credits for export-oriented investments, a more active exchange-rate policy, as well as the modification of consumer prices in 1979 and of producer prices in 1980, to better reflect the world-market prices, already are indications of a shift toward structural policy inspired by the external economy. Perhaps it is not an exaggeration to regard as initial results of structural policy the 1979 increase of about 0.5 billion dollars in export denominated in convertible currency, and the further expansion of export capacity anticipated for 1980.

Naturally it is not enough to precision the direction of structural policy: its success will depend also on screening out conflicts of preferences, and on mass-scale efforts. The assigning of priorities to the equilibrium objectives, which will be unavoidable in certain periods, could even slow down the long-range process of structural transformation, for the danger is by no means unreal that economization on imports might be intermittent, or that the structurally obsolete branches and activities might be kept alive due to temporary export opportunities.

Today a structural policy that is oriented consistently on the external economy may regard as the vehicle of economic growth the output of products that can be exported economically and are marketable also on the basis of longer-term international developmental trends. Selectivity in this context also means curtailing more forcefully than up to now the enterprises and activities that produce uneconomical and unmarketable products.

During the past decade the quantitative and structural improvement of Hungarian export capacity was stimulated not so much by the central development programs, but primarily by the Hungarian National Bank's export-expanding credit policy. In the use of central development resources there still remain significant latent reserves for reinforcing the orientation on export. International economic cooperation likewise can transmit significant energies to structural change. Among the vehicles of structural transformation, for example, in the electronics, telecommunications and vacuum-engineering, pharmaceutical, motor-vehicle and aluminum industries the establishment of broader international cooperation is warranted not only by the high R & D costs and high capital intensity of these industries, but also by the rather oligopolistic organization of the foreign markets. In the case of the food industry, which is based on comparative advantages of physical geography, rapid implementation of capacity expansion and of a sharp rise in quality prompt international cooperation. Wider utilization of the international, interstate and interenterprise opportunities for cooperation, together with new initiatives, could likewise influence very favorably the accelerated development of Hungary's infrastructure. The unfolding of a structural policy oriented on the external economy could create a community of interests that on the one hand would help to alleviate the Hungarian economy's present shortages and disequilibrium problems, and on the other hand could permanently enhance Hungary's value as an international partner of the supplier-creditor countries.

The problems of export orientation and structural development are closely and peculiarly related to the problems of Hungarian incomes policy. Due to the changed conditions of economic growth, it may be assumed that in the coming years the available national income, respectively the domestic consumption of goods, will grow at an average rate of about 2 percent a year. The increase and structure of domestic demand will have a below-average effect on the Hungarian economy's growth rate and structural transformation.

The income aspects of a development strategy oriented on the external economy are very strong, and incomes policy is in the forefront of structural policy. The understandably greater risks of export development, the stricter requirements of quality and modernness in conjunction with producing competitive products, the greater importance of the factor of time, and the higher costs of marketing require greater effort and ability from the enterprises and workers producing for export. Orientation on the external economy is inseparable from the scale of performance values, from a differentiated incomes policy, because the sectors, subsectors, enterprises, work groups and individuals able to produce competitive products require incentives commensurate with their effectiveness. Structural policy today can ensure its modernness, comprehensiveness and "man-centeredness" specifically by making use of the incentives for purposeful human activity that have developed in the given society in the given stage of development.

Presumably the price system's reform in 1980 provides conditions more favorable for perfecting the regulation of enterprise profits in this sense.

The policy on personal incomes, in which the requirements of orientation on the external economy do not assert themselves as yet, has a more direct political impact. Wage policy was characterized also during the past decade by increasing equalization.

In addition to equalization in wage policy, the rate of rise of state-financed or significantly subsidized social benefits was higher than that of the wage level, and within state-regulated incomes the proportion of benefits independent of performance is close to one-third. This practice cannot be continued, already because of the budgetary deficit, and it is by no means desirable from the viewpoint of orientation on the external economy. It is the task of structural policy to delineate wage policy and social policy, and to implement the requirement of differentiated incentives.

Organizational Interrelations of Structural Policy

The historicotheoretical principles of the socialist countries' economic policy regard as an objective process of historical development that production, capital, plants and enterprises increase in size and become more and more concentrated. The organizational aspects of Hungarian structural policy have been influenced significantly not only by the axioms of theory, but also by the international lessons of economic growth, by the internal interrelations of the system of management, development strategy and economic structure.

From the viewpoint of organization, the growth of the world economy over a long historical period offered rather unambiguous lessons. In countries that embarked late on the path of industrialization there developed a peculiar polarization of the economy's organization: the small industrial plants established amidst the limits of historical backwardness coexisted permanently with the large enterprises that arose in the wake of the founding of modern industry, and within this the large enterprises were unambiguously the vehicles of structural change and economic growth. The growth-related experiences of the industrially developed market economies likewise indicate that the growing size of the economic organizations is accompanied by greater financial power and higher quality of management, and it also enables them to attain the critical mass in their scientific-research capacities and to improve their market position. The gains made by the multinationals, and the increasing presence of power elements (state, trade unions, strategic upward revaluation of economic relations) in the economic processes affect large organizations less. The Soviet Union, which served as the example for developing the socialist economy's organizational structure, was likewise characterized by a preponderance of large organizations, already because of the huge size of the Soviet economy.

The socialist command-directed economic system was closely linked with a reduction in the number of enterprises for whom planning was obligatory, and with a steady increase in the size of the large organizations assigned production, distribution and R & D tasks. In the period of heavy industry's accelerated development, particularly in the course of developing the metallurgical, heavy-chemical and automotive industries that are sensitive to economies of scale, the economic organizations naturally grew in size. Theoretical principles, international experience, peculiarities of the economic system and economic structure, as well as the expectations in conjunction with the effects that large-scale industry has on forming the social structure and social awareness, were the factors that resulted in that the structural policy of Hungary--historically late to embark on the path of socialist industrialization, and sensitive to the external economy--long regarded the steady increase of the organizations' size as an essential characteristic of the socialist organizational structure and a basic task in developing this structure.

The process of the organizations' growing size is clearly reflected in the employment statistics in a breakdown by plant size. Within Hungarian manufacturing the proportion of workers employed in plants with more than 500 workers was one-third at the turn of the century, 58 percent in 1950, 80 percent in 1965, and 84 percent in 1975. This indicates a high degree of organizational concentration even by international comparisons. Expansion of the plants and production locations followed with a certain lag the increase in the size of the enterprises. In the decade preceding World War II, 35 percent of the total employment in manufacturing was employed at industrial plants, and 50 percent in 1975. By international comparisons, this does not indicate an outstanding concentration in the organization of production.

Only in recent years has it been emphasized in Hungarian economic literature and economic policy that the expediency of the economy's organizational structure can be evaluated only as a function of the sectoral structure of production at any given time, of the stage of economic development, and of the system of managing the economy. Numerous international examples illustrate that the dynamism and competitiveness of the environment-intensive engineering branches--unlike in the industries that produce semifinished products and are less intensive in terms of economic environment, have a low input-dependence and require fewer cooperating partners--presuppose the existence of numerous, usually small or intermediate, custom-processing enterprises that specialize in subprocesses. Indeed, the large enterprise that is based on the advantages of mass production and mass marketing could itself perform subprocesses only at the cost of dissipating its resources and organizational advantages.

At a higher level of industrial development, the relative importance and even the number of small and intermediate enterprises again show a growing trend, parallel with the growing weight of the engineering branches that are sensitive to economies of scale.

The organizational structure receives impulses also from the demand side. As the income level rises, demand becomes differentiated and more particular regarding quality. Hungary's experience during the past decade indicates that there is a correlation between increasing organization size and organizational concentration on the one hand, and the spreading of shortage items on the other. The unit prices of the shortage items usually are low, and their production and profitability are less attractive to large enterprises. Similar in its effect is the increasing shift of the demand toward services and goods that satisfy personal requirements, and these again are not outputs suitable for large enterprises. In conjunction with the external economy, Hungary's import of parts and subassemblies is rising at a rate well above the average--this is one of the causes of Hungary's balance-of-trade deficit and of the relatively low volume of equipment import--can be explained to a large extent by the absence of small and intermediate enterprises suitable for farming out subprocesses to them. One way of utilizing Hungary's labor-related comparative advantages would be to develop also in export the international cooperation of plants that specialize in subprocesses and are therefore necessarily small.

The command-directed economic system, the absence or weakness of market relations between enterprises reinforces centralization and concentration of enterprises. The economic system's perfection, making greater use of market relations and providing wider room for the functioning of the instruments of indirect management, leads--in accordance with the rules of the economic processes--to a broader division of labor among enterprises, to a certain decentralization of the present organizational system of multiplant enterprises, and to an increase in the number of independently operating smaller enterprises.

The second (black or gray) economy that includes partially illegal or semi-legal elements and up to now has partially escaped regulation by the

government's economic policy is a relatively new phenomenon in several Western European countries and is spreading rapidly also in Hungary. In the West this phenomenon is unquestionably related to a decline of civic discipline (for example, tax evasion) and a decline of moral values, but a fairly close relationship can be found also with the polarized organizational structure, respectively with the activities of the state or private large enterprises reluctant to adjust to the requirements of the new stage in the world economy's development (particularly in Italy and other Latin countries of Europe).

In Hungary the spreading of the second economy partially reflects Hungarian economic policy's specific and deliberate effort to mobilize the reserves for growth inherent in family-operated businesses (in agriculture, for example, farming on household plots). The gains of the second economy simultaneously reflect the limitations of the economy's present system of organization and management, the consequences of premature and excessive centralization and integration, leading to shortages. Today the second economy is no longer of marginal significance, neither in the West nor in Hungary. Its importance varies by economic sectors and population groups. Essentially unplanned but based on objective economic interrelations, it is a kind of answer to the major or minor deformations of economic growth, to the economic weaknesses of the organizational structure based on large enterprises.

The international and national-economic experience of the past decade thus makes it expedient, in several respects, to adapt the organizational framework of economic activity to the requirements of the changing times, and to deliberately utilize the growth reserves latent in small-scale organizations, instead of simply tolerating their spontaneous growth.

Hungarian structural policy will be confronted with several challenges in the coming years. It will have to cope simultaneously with the structural problems stemming from the world economy's structural changes and from the Hungarian economic system's perfection, and it will also have to assume the unavoidable risks and sacrifices of pioneering solutions.

1014

CSO: 2500

MINISTERS DISCUSS, EXPLAIN AGRICULTURAL REGULATORS

Deputy Minister of Finance

Budapest NEPSZABADSAG in Hungarian 12 Nov 80 p 1

[Article by Miklos Villanyi, deputy minister of finance: "The Agricultural Regulator System in 1981"]

[Text] A regulator system adjusted to the economic policy line of the Sixth Five Year Plan has been in effect in agriculture since the beginning of the year also. The goal of this, together with the modifications which will go into effect in January 1981, is to encourage the large agricultural operations to adapt more quickly to changes in external and internal economic conditions, to encourage the development of profitable, competitive production and to encourage a reduction in less efficient activity.

Producers Prices and Price Ratios

Domestic and external market requirements are transmitted to the agricultural producers primarily by prices. The agricultural producers (purchasing) price increases announced for 1981 increase the price level by 4.9 percent. Within this the ratio for the more favorably exportable crop production branches is greater and that for live animals and animal products is smaller. This is interdependent with the fact that while the domestic prices for agricultural products are not determined by the forint value of exported or imported products calculated by the commercial rate of exchange (rather the domestic cost and income relationships will continue to be the standard) still it is justified to take into consideration the profitability achieved on external markets for the given products and product groups when determining the profit content of the producers prices.

This modification of the price ratios indicates to the agricultural producers that the domestic cost level for the animal husbandry branches is higher than the value recognized by international markets. It is thus urgent to spread the genetically more productive breeds, to adopt cost economizing feeding and maintenance technologies and to carry out cheaper investments.

The increase in agricultural producers prices does not entirely counterbalance the increase in prices for industrial products being used. The large operations will carry 20 percent of the cost increase. The goal is to strengthen the role of industrial prices in encouraging material and energy conservation, which must result--in the case of a correct reaction by the producers--in improving efficiency.

Modification of Supports

The large agricultural operations must also prepare for the fact that in the future both industrial and agricultural prices will change more frequently. So one of their very important tasks will be to find the optimal method of increasing production amidst changing price and income relationships. In agriculture also the Sixth Five Year Plan continues to count on a gradual increase in production. But this does not apply to every large agricultural operation. Where economical material and energy use and more profitable management can be achieved by maintaining the level of production or by a rational moderation of it, due to less favorable conditions, this must be done.

While producers prices are increased the other elements of the regulators--supports, taxes and the rules for credit and fund generation--will be modified only to the most necessary degree--taking into consideration the need for stability.

The most significant change in regard to state supports is that interest preferences will replace the previous automatic investment support for construction. The previous state support for new plantation will remain unchanged. State support for milk producing cow sites (30 percent, or 18,000 forints per animal unit) and hog raising installations (35 percent, or 7,000 forints per animal unit) or for reconstruction of them will remain but will be moderated. This support will be given after the fact, after completion of the investment. Other construction investments can be carried out on one's own or on credit. The interest on the credits assumed will increase by one percent in agriculture also but the Hungarian National Bank will refund interest quarterly to the burden of the budget at the rate of 4 percent for credit assumed for cattle, hog and sheep installations, fish ponds, plastic sheet greenhouses and irrigation and rice facilities and at the rate of 2 percent for credits for other more important agricultural investments--to a maximum of 70 percent of the investment costs.

The modification of construction supports became necessary because as a result of the automatic nature of the subject preferences there was an increase within agricultural investments of the ratio of projects enjoying the high supports. This resulted in a swift increase in support needs going beyond the budgetary prescriptions, which made necessary ever more frequent administrative restrictions in the investment process. Thus the system of financing lost the ability to adapt flexibly to the swiftly changing foreign economic and domestic conditions.

The new system of investment supports encourages primarily better use of existing assets. It makes the large agricultural operations interested in carrying out the most economical investments best suiting their natural conditions and in the shortest possible time. Support for tractor purchases is being moderated from 20 percent to 15 percent. Also interdependent with the financing of investments

is the fact that a provision will go into effect on 1 January according to which work tools, small machines, etc. put into operation which are worth less than 20,000 forints will no longer be classified as fixed assets.

There will be a change in the system of operational supports in that there will no longer be support for creation of grasslands. The support for increasing meat cattle stocks will increase from 17,000 forints to 20,000 forints per animal, which in the future can be given independent of stall expansion. The support for purchase of crop protection materials will decrease by one percent.

In general, the system of supports and the magnitudes of support for small scale agricultural production will not change. At the same time, because of the special importance of the branch, the total support for the second and for every subsequent cow will increase from 5,000 forints to 6,000 forints beginning 1 January.

Changes in the Tax System

The price and support changes affect differently the farms with different natural conditions. The modification of the tax system is intended to ease to a rational degree the effect of the changes which increases differentiation. Those large operations which have good natural conditions for production can adapt to the new conditions more easily; those which have medium or poor conditions are less able to do so. Thus those farms on which the average cadastral net income of plow land does not exceed 19 gold crowns will not have to pay land tax hereafter. (The previously enjoyed tax immunity will continue also for those operations where the average gold crown value of the producing area does not exceed 14 gold crowns.)

For operations with low profit levels the tax system also makes possible the generation of a one percent shares fund. A further incentive for rational personnel management is given by the fact that those operations where the annual wage sum remains unchanged or decreases have an opportunity to increase the wage level with a 3 percent, in place of the earlier one percent tax exemption--beyond the general value.

Beginning in 1981, the large agricultural operations farming on plow land with a 14-19 average gold crown value can retain 30 percent of the production taxes due to the budget for non-agricultural activities in order to increase their profit or their developmental funds. This rebate, and the previous 70 percent retention for operations with unfavorable natural conditions, can also be used by those large operations which are obliged to pay the extra production tax in the so-called agglomeration zones (in the environs of the capital and the five stressed provincial cities.)

The other production tax keys will be modified to a smaller degree primarily where this represents a simplification of the procedure identical to the price generation rules and thus the basis for the tax keys becomes the material-free production value (for construction and equipment activities) instead of price income. Another change is that the differential producers turnover tax previously paid for wood production has been built into the production tax system for the large agricultural operations so that 90 percent of the forest maintenance fund must be paid as a

production tax in this category. In the future, the creation of agricultural storage areas will be exempted from the construction tax payment obligation.

Concerning the Generation of Funds

There will be only minor adjustments in the generation and use of funds. The generation of the technical development fund will be simplified as compared to previously. Hereafter also only designated operations can generate technical development funds for basic agricultural activity. The fund for industrial activity must be generated on the basis of four keys after net price income. In regard to the generation of social and cultural funds--as in the other branches of the national economy--the sum that can be calculated as a cost will increase from 950 forints to 1,000 forints per worker.

In the future the amortization fund can be used without restriction by state farms, enterprises, cooperatives and associations, operating according to the agricultural regulations, to pay off their developmental credits. Thus the previous distinction in the treatment of the amortization and the profit developmental funds will be abolished in every respect and this will improve the credit position of the producer cooperatives--which is indispensable in the new financing system for investments. Fixed assets and unfinished investments need not be re-evaluated.

It is a fundamental condition for achieving the goals of the new five year plan beginning next year and for increasing efficiency that the large agricultural operations, the state farms and producer cooperatives, use their natural resources and existing assets by reducing the specific material and energy needs of production and moderating import needs as much as possible. The new prescriptions of the agricultural regulator system to be introduced on 1 January 1981 will effectively aid these efforts if they are properly understood in every large operation, if those participating in decision making are acquainted with them and correctly weigh their effects.

Deputy Minister of Agriculture

Budapest NEPSZAVA in Hungarian 14 Nov 80 p 5

[Interview with Ferenc Vendegh, deputy minister of agriculture and food, by Vera Lendvai]

[Text] [Question] The agricultural regulators went into effect on 1 January 1980. These days they are talking everywhere about how the economic regulators will be modified for the coming year. We asked Ferenc Vendegh, deputy minister of agriculture and food, why this is necessary. Perhaps these regulators were not effective enough?

[Answer] I consider this question important because the development of the 1981 economic regulators concerns very many people. They are asking why the regulators prepared last year are being modified now. In 1980, we wanted to get at least a uniform experience about the economic work of the Sixth Five Year Plan. We wanted to find out how the large agricultural operations would react to such measures.

[Question] What did you find out?

[Answer] Some of the operations accepted the new economic conditions very well, they learned to manage flexibly with the prices and this influenced the success of production. But in some places they were worried because frequent price changes are something our large operations are not used to. We also found out things which led to more solid changes for 1981 in some cases. For example, we are increasing the prices of artificial fertilizers by 6 percent instead of the planned 20 percent. On many farms, because of the swift increase in other costs, they neglected use of artificial fertilizer.

Another very important step is that in applying the regulators we are starting from what can be produced on land of average quality, from a judgment of the quality of their production. Previously withdrawals were made uniformly for farms with good and weak natural conditions. This had a bad effect on the latter because they were doing the same work as the others, only with greater expenditures and less results. We must strive for balance so that all areas will be cultivated, because this is right, because the country needs it.

[Question] As long as we are talking about land, can we talk, in regard to the regulators, about increasing the productivity of the soil, about water control, about soil improvement or melioration?

[Answer] Certainly, for this also is one of our important goals in the coming plan period. Melioration is expensive, but it is complex work which pays off relatively quickly and influences the entire economy beneficially. But because of the costs, the farms with weak natural conditions cannot undertake it. So the regulators will not support individual farms; whole areas must be put in order, given an advantage.

[Question] In what branches do you want to advance in the Sixth Five Year Plan? And are they interdependent with supply to the populace?

[Answer] In essence the developmental possibilities are as they were in the last plan cycle, but the structure of use is changing. We created many large buildings and animal husbandry sites but the utilization of these could still be increased. In the cattle branch, for example, the number of individual animal units could be increased by at least 10 percent. The regulators provide a great incentive for this. The milk premium and the credit system for cow raising in general are a great incentive. In regard to meat cattle the regulators provide a significant circulating fund allotment per cow, but another consideration is how much it costs to produce a kilo of meat, how the pastures and by-products are used. So supports are not ending, but they can be obtained for different purposes, and this requires working differently. We want to develop the condition system so that we get unambiguous, successful results in large scale agriculture, on plow land, in agriculture, in gardening and in animal husbandry too. This is why we will develop large scale hog raising and make it possible to modernize the hog sites built 10-15 years ago. We want to make poultry raising and fattening competitive and free of cycles.

[Question] According to the forecast agriculture will significantly increase grain production in the Sixth Five Year Plan. What possibilities will the processing industry have to be in synchrony with storage too?

[Answer] The expansion of grain storage areas is one of our big problems and the regulators provide incentive for the development of these areas too. We want to increase grain yield by 10 percent in the Sixth Five Year Plan. By 1985, grain production per capita will increase to 1.4 tons. This absolutely requires the creation of a storage area and transportation base.

[Question] The small producers are interested in the modification of the regulators too, but will they be interested in bringing more goods to the market?

[Answer] The planned measures are especially favorable for them because they are not directly affected by the amortization of buildings or the oil prices.

[Question] Will there be enough small machines for production? There were many complaints about shortages of these last year, although they are striving for efficient work on the household plots and small gardens too.

[Answer] Satisfaction of the conditions needed for production is improving. The domestic background industry will provide many new tractors, soil cultivation and fruit and vine cultivation tools even in 1981. The year after that, Hungarian industry will probably solve the supply of small machines and tractors. This is very important from the viewpoint of household plot production of potatoes, vegetables and fruit.

[Question] We frequently hear that the large operations should integrate the small farms. But this work is not always profitable for them so they are reluctant to do it.

[Answer] It is true that the large operations consider the incentives weak for this integrating task, which means great responsibility and even direct work. We are studying this and it will be a task for the years ahead to work out the proper regulators for it.

[Question] In conclusion, we would like to hear about the relationship of wages and regulators and about the interdependence of group and national economic interests.

[Answer] In regard to wage management, the regulators will encourage the leaders toward rational personnel management. There are places where the various wage forms are used in combination. The incentives will encourage the leaders to fill only those jobs where real work is being done. It is also the goal in the producer cooperatives that there not be created jobs but rather, if necessary, that the members should be directed into auxiliary operations or areas requiring hand work. We hope that all this will encourage a correct manpower flow in those agricultural operations where this is necessary.

8984

CSO: 2500

STATE SECRETARY INTERVIEWED ON DEBATES OF 1981-85 PLAN

Budapest FIGYELO in Hungarian No 44, 29 Oct 80 p 3

[Interview with Janos Hoos, state secretary of the National Planning Office, by Ivan Wiesel: "The Experiences of Social Debates"]

[Text] In recent weeks organs representing the social, scientific and interests debated the Sixth Five-Year Plan's guidelines, and worked out proposals for drafting the plan. We have already reported on the debates in our paper. Our reporter Ivan Wiesel talked about the experience gained in these [debates], and [about] their application, with Janos Hoos, state secretary of the National Planning Office.

[Question] Various forums several times discussed the various differences of the Sixth Five-Year Plan from the earlier plans. What are the most important differences?

[Answer] The people's economy's Sixth Five-Year Plan, which in December of this year will be raised to the level of law by the national assembly, will define the growth of the Hungarian people's economy between 1981 and 1985, the most important goals, requirements and the means available to us. The plan when it deals with the process of economic growth necessarily considers realities, conforming to the international and domestic circumstances and conditions and to the foreign and domestic characteristics.

One might say for this line of thinking that this is true for developing all longer range ideas which expect to be implemented. Yet when we speak about the characteristics of planning for the time period ahead of us, it is not a matter of routine to emphasize those characteristics which deviate from the earlier plans and concepts.

What has to be considered are the economic conditions primarily, the foreign conditions [which] are changing even more rapidly and less predictably than before, therefore the rapid and flexibility adjustments and decisionmaking are decisive. Of course, it would be easier thing to do now to sketch in detail the expected changes, to define several goals of mandatory importance just as [we did] before, and to develop a rigid internal structure for all this. It would be easier, but it can be safely stated--we already have sufficient experience for this--that it would not be the expedient solution.

Given the foreign trade conditions, it is also a fundamental question--and the planners also had to take this into consideration in developing the nature and characteristics of the plan--that considering the already formulated decisions, organizational and economic operating structures, to what extent and in what way these can be made to serve the fulfillment of the qualitative factors and goals.

Taking the foreign and domestic conditions plus opportunities and natural resources into consideration together, it is justified to prepare a more flexible and open plan. To work out a medium range plan which is specific and consistent with respect to the economic policy's most important requirements and goals, and which at the same time also provides the opportunity for adjusting rapidly, for regrouping the means in accordance with the new goals. I would like to emphasize that this flexibility and openness does not mean that it is easier to define the tasks, and must not mean that there is a lack of obligations and goal-orientedness in the economic policy. I would like to just make a note here concerning two such fundamental goals as improving the merits of the foreign trade balance, and stabilizing the already reached standards of living. In the interest of consistent implementation we will define and carry out programs in some selected areas: for example in the areas of energy utilization, housing construction and supply.

Considering the planning system's characteristics, the yearly national economic plans will have to fulfill the tasks of operative management in the interest of fulfilling the basic economic policy goals of the medium range plan.

It is also our goal to make progress in the direction of social planning, and to integrate as fully as possible the social, economic and organizational factors into the medium range plan, continuously updating the decision-making and institutional system and adjusting it to the requirements. I think the right definition was made at the plan debate of the Hungarian Academy of Sciences (MTA) when they said: active realism is needed. I will add this: this holds true also for the planning work and implementation, for the planners as well as for those who carry out the economic operation.

[Question] What experience was gained at the social debates, and how do the government and the National Planning Office (OT) make use of them?

[Answer] Using the documentation available for the national economy's sixth five-year planning work, the chairman of the Council of Ministers has requested several social, scientific and interest-representing organs to debate the plan ideas. These debates were concluded just recently. The experience can be summarized in saying that these organs and scientific forums agree with the basic economic policy goals reflected in planning material, and with the means and methods of implementation being considered to carry these out. Participants of the debates considered it necessary to have us realistically evaluate our opportunities and define our tasks; they approved and welcomed the plan's open, flexible character. The participants of these debates unanimously supported that creating the equilibrium in the national economy is being made the main economic policy goal, and that emphasis is being placed on the qualitative side of the economic tasks.

We wish to use the suggestions and observations heard during the debates, for finalizing the medium range plans for the people's economy, for implementing the plan, and during the course of the long range planning work for the people's

economy. We are convinced that it will also be necessary to deal with these suggestions in the framework of the political work of the coming time period, in addition to the area of economic management.

The debates in discussing production increases requested that real production processes be defined more clearly and precisely, primarily with respect to the modifications in the economic structure.

Our Attention was called to the fact that the planning documents still excessively tie the quality requirements to exports, whereas it is also a key issue from the domestic market's viewpoint.

A well thought out and comprehensive development of the economic management system was demanded. They emphasized that a more consistent implementation of the basic principles of the 1968 economic reform was necessary to characterize the development of the system of economic means. In connection with modernizing and correcting the regulatory system, efforts will have to be made that respect for the leadership, as well as the mutual confidence between management and implementation be strengthened. More firm regulation is needed for projections and to formulate strategic concepts. Attention was called to the fact that in developing the individual elements of regulation, decisions should be made in all related questions at the same time.

In connection with the standard-of-living policy ideas contained in the plan it can be stated that the participants of the debates agreed with the necessity of solidifying the results already achieved in this area and that we should define this not "only" as a goal but as a requirement. They suggested that in the areas which significantly influence and define the living conditions and the way society feels in general, we should consistently use the opportunities available to us. It will be necessary to make greater progress in the future primarily in the areas of health care, services to the population, and housing maintenance.

[Question] According to my information, lively debates took place in social as well as professional circles concerning the planned growth rate of the people's economy and interpretation of the economic equilibrium, and many people felt that the projected 3 percent per year average growth of the national income is too little. What is your opinion about this? Can it be that the planners will modify this?

[Answer] The generally accepted viewpoint is that in the era of the economy's intensive growth the opportunity of growth is necessarily smaller than in the extensive stage. Besides this it must also be taken into consideration as a characteristic of the next plan period that the planned rate will be undoubtedly slower with respect to the given state of our development. Two factors must be mentioned as prime reasons for this. One of these is: in the Sixth Five-Year Plan's time period the task of primary importance is to create an equilibrium in the people's economy, which appears at the same time with the need for progress in the quality field. These two requirements can be met only with slower growth with respect to our state of development, among other reasons because of the given and relatively slowly changing, slowly changeable economic structure. This will determine the growth opportunities to a significant extent.

The other factor is: it can be realistically expected today that foreign trade conditions will not improve, and it also cannot be excluded that they will get worse, and this greatly affects the market opportunities of the enterprises.

In my opinion the national income's 3 percent growth rate found in the plan is also acceptable by international standards. We can arrive at a similar conclusion examining the plans of the CEMA countries which are being developed for similar periods of time, but even better proof is the growth rate of the capitalist and developing countries. At the same time I would like to emphasize that this goal cannot be independent of our results, or of the economic efficiency, and of the foreign trade circumstances. Our growth rate can be faster in case these develop favorably.

During the social debates it was asked when this favorable turn may come, and in case it does occur, on what will we spend the additional resources? I think a responsible determination or forecast of that time cannot be given. Therefore in my opinion it is not practical to already imagine implementation of the medium range plan in various developmental stages. Any possible additional resources must be treated as strategic reserves to be used to implement our basic goals as well as possible. Thus, for example, a possible turn for the worse of the foreign trade conditions must also not be ignored, but fulfilling the plan's most important goals is one of our basic political and economic interests, even under such foreign trade conditions. Therefore, in my opinion the correct solution is to use these extra resources which may be realized later in the area of efficient and competitive production. In all certainty the lasting and well-founded effect of this will be felt in all areas of the people's economy, as well as also in the way the standard of living will develop. During the course of executing the plan everything will of course have to be done in the work here at home as well as in international activity, so that these currently only potential reserves become actual reserves.

[Question] It is heard often these days that reshaping the production structure and improving, strengthening quality [situation] are the tasks of key importance. How is this reflected in the plan?

[Answer] Examining the results of the Fifth Five-Year Plan's time period, and applying the experience gained thus far in planning work, as well as taking into consideration among other things, what has been heard in the social debates, it is an imperative necessity that selective development be implemented in practice, that the dynamics of efficient and exportable production be increased and that unprofitable activity be reduced.

We want to help this selective growth in several directions. Thus central development programs will be worked out or extended for certain important structural tasks in the areas of the aluminum industry, chemical industry and machinery industry.

The matter of material and energy utilization is a very important question. Let me give you an example of this. In 1978 the Hungarian economy achieved every percent of its net national production increase with an increase of 1.69 percent in material and energy consumption. This ratio was 1.1 percent for the time period of the entire Fifth Five-Year Plan. Thus today the energy demand of growth is still high. It can be said that in essence our material and energy consumption

increased by the same amount as our production increase. By changing the production structure in the Sixth Five-Year Plan we would like to get down from this 1.1 percent to 0.6 or 0.7 percent. This is a very big job!

Modernization and consistent implementation of the regulators introduced in 1980, more intensive application of scientific achievements than is being done at the present, and better utilization of the international integration opportunities are important tools [for this]. The participants of social debates spoke with great emphasis about our need for development policy and reconstruction policy, which will insure that our present technological lag behind the international standards will in no way increase. I would like to emphasize that reshaping the production structure which will result in quality improvements is an extremely complicated and difficult task which at this time even this plan has not been able to solve in its entirety. Therefore, due to the job's size, the planners still have things to do. Even more so because I think that reshaping the production structure, and growth along the path of quality cannot be separated from the tasks of improving the people's economy's equilibrium, and solidifying the results we have reached in the area of the standard of living--none of these can be thought about separately. In my opinion this is the focal task of the next plan period, and this must be dealt with in accordance with these at every level of planning and direction.

[Question] How far along is the preparation of the Sixth Five-Year Plan proposal at the present? What tasks still await the planners?

[Answer] The nearly 3 year job is approaching its end. The draft for the plan law has been completed on the basis of preparatory and foundation-laying work. A resolution by the Council of Ministers will summarize the measures which are to serve implementation of the law dealing with the Sixth Five-Year Plan of the people's economy; this [resolution] is now being prepared. Within the framework of joint work the ministries and the National Planning Office are preparing the proposals concerning the state-level decisions, investments and measures. The target-oriented programs to which I have already referred above, and which form a part of the medium range plan of the people's economy, stand out from among these.

Based on the evaluation of the expected economic growth for 1980, and on the operating experience of the economic regulatory system introduced on 1 January 1980, minor adjustments will have to be made on the regulators now in effect. Finalization of these is now in progress.

Precise calculations of the Sixth Five-Year Plan are in progress, with attention being paid to the foregoing. The degree of preparation of the planning documents and calculations make it possible for the governmental organs to discuss the draft plan law in November, then in December it will be presented to the National Assembly.

[Question] How [well] do the enterprises support the medium range planning work, [and] what requirements are made on them [in this area]?

[Answer] Simultaneously with the beginning of central planning work for the Sixth Five-Year [Plan] the enterprises began to prepare their own medium range plans. The National Planning Office, as well as the interest representation organs of the

branch ministries and cooperatives have provided suggestions of methods to do this.

In developing the contents of the enterprise plans it was helpful that the enterprises received definite guidelines to work out the Sixth Five-Year Plan of the people's economy, which [guidelines] detail the planning concepts approved by the Council of Ministers for the national economy's Sixth Five-Year Plan. The ministries supplemented these with professional advice. Part of the medium range plan concepts of the enterprises contain several development alternatives. The enterprises are organizing discussions of the concepts by involving the ministries and other enterprises. At some enterprises where the prepared concepts are not in accord with the requirements of the economic operation, it may become necessary to work out new concepts. When evaluating the concepts and preparing the plans, the enterprises and the ministries helping them must first of all insure harmony between the goals contained in the national economic plan and the planning decisions which affect the enterprise's activity.

Using the time available until the plan is completed, the enterprises must continue working out the prognoses for the market's conditions, the technological and quality requirements, and prices. These can then be used to determine the product structure, quality improvements, enterprise development goals for products and production processes.

During the course of finalizing their plans, the enterprises must implement the requirements of efficient economic operation in improving their fixed assets, manpower use, and especially material and energy consumption. In determining the goals of increasing production, more attention will have to be paid to the possibilities of limiting the use of imported materials and component parts, and of substitution for the imports.

In finalizing enterprise plans it is a fundamental requirement to pay consistent attention to those requirements of the economic regulators which affect the enterprise's economic operation, and also to make sure that their goals are in harmony with the plannable resources. It will increase the economic operation's certainty if planning reserves are also formed, and primarily in the distribution of incomes.

Enterprises which operate unprofitably and which usually have a shortage of funds will have a more difficult task. These economic operating organizations had to prepare a program to insure the efficiency of their operation, and the tasks contained in this must be built into the enterprise's plans.

Cooperation among the enterprises must be fixed in the form of preliminary contracts, framework contracts, or cooperative contracts.

The managers of enterprises must see to it that the plan preparation work and at the end also the plan itself is introduced to the workers and to the party and trade union organs prior to approval so that they are given an opportunity to discuss them and to make suggestions. The justified modifications can be implemented by taking these into consideration.

DECREE ON BUILDING RESTRICTIONS PUBLISHED

Budapest MAGYAR KOZLONY in Hungarian No 77, 31 Oct 80 pp 1045-1046

[Ministerial Decree]

[Text] Joint decree numbered 2/1980. (X.21)OT-PM-EVM of the chairman of the National Planning Office, the Minister of Finances, and the Minister of Construction and City Planning on temporary restrictions on some construction.

On the basis of authorization from the Council of Ministers and in concert with the interested ministers and leaders of national authoritative organs, we decree the following concerning assurance of equilibrium in investments for the sake of the national interest:

1.(1) The scope of the decree includes the economic organizations [PTK (civil code 685 section c).], the budgetary organs (councils), the social associations and the unions.

1.(2) With the exceptions mentioned in paragraph (4) and (5), until further notice the organs mentioned in paragraph (1) cannot begin the construction of new

--buildings for purposes of convalescence, weekend rest or hostels;

--administration and office buildings;

--headquarters;

--rest homes for authors and buildings for cultural exhibits, and cultural centers and houses of culture built as enterprise investments;

--educational buildings used for adult education purposes (leader training, educational centers, continuing education centers and so forth);

--bunk houses and temporary quarters built in recreational areas

without regard to their permanent or temporary nature, and cannot expand existing facilities used for such purposes.

1.(3) The building restriction also applies to those cases where there are plans to make investments for such purposes as a part of other development.

1.(4) The building restriction does not apply to large-scale investments, to administrative and office buildings, the erection of which is necessary in connection with the establishment of new enterprises formed after the present decree goes into effect.

1.(5) In exceptional cases the National Planning Office, the Ministry of Finances, and the Ministry of Construction and City Planning can jointly grant exemptions from the building restriction in the public interest to improve the organs representing the national interests for supervisory cooperatives in the case of enterprises.

2.(1) The building authorities can only issue a building permit for work included in the building restriction if the investor has an exemption included in paragraph 1.(5).

2.(2) The fiscal institutions financing the investments can only accept permits (charters) for construction falling under the restriction and can effect payments related to them only if the investor has an exemption included in paragraph 1.(5).

3. This decree takes effect on the day of publication. Simultaneously the joint decree numbered 3/1972.(I.25)OT-PM-EVM loses its validity.

Lajos Faluvegi, signed
Chairman of the National Planning Office

Attila Madarasi, signed
Undersecretary of the Ministry of Finances

Dr. Janos Szabo, signed
Undersecretary of the Ministry of Construction and City Planning

6806
CSO: 2300/54

INVESTMENTS, CONVERSION FROM CAPITAL TO CONSUMER GOODS PRODUCTION DISCUSSED

Warsaw SZTANDAR MŁODYCH in Polish 16 Oct 80 p 5

[Interview with Jerzy Gwiazdzinski, director of the Analysis and Prognosis Team of the Planning Commission of the Council of Ministers, by Jacek Swidzinski]

[Text] [Question] Director, of late we have been faced with the exceptionally urgent inevitability of change in the directions of investment in our economy. Why?

[Answer] The investments structure which took shape in the years 1976-1979 does not correspond to social interests. Although the general level of investment outlays has been stabilized in the past 3 years, the essential changes which were announced in the so-called economic maneuver with regard to the structure of outlays did not take place. These were changes based on increasing the share of industries manufacturing for the market, particularly the food industry and the whole complex of industries serving the needs of food consumption. What did happen was rather the opposite—for example, the share of light industry in outlays for the national economy in the years 1975-1979 decreased from 2.5 percent to 1.5 percent, and the share of the food industry dropped from 4.5 percent to 3.3 percent. At the same time, the share of branches which are highly capital-intensive and have an exceptionally long period of return of investment outlays, such as the fuels-metallurgical complex, increased. Under conditions of decreased management efficiency accompanied by the shrinking of the rate of economic growth, the economy cannot continue with its former structure of investment outlays, since this would lead to its "strangulation" with all of the attendant social consequences.

[Question] Then which investments must we maintain?

[Answer] The list of investments whose size exceeds the scale of the national economy is a very long one. The Katowice Steel Mill is at the top of this list. The investment funds which were designated for its construction by the national economy were utilized for investing in metallurgical processing, the production of quality steel and the like. In 1979 we produced 546 kilograms of steel per capita, i.e., nearly the same amount as the United States, and more than 100 kilograms over production in France, Italy and the UK. On the other hand, we lag far behind in our per capita production of high-grade products. The progress we achieved in this field from 1971-1979 was minimal. This is one of the causes of the inferior quality of machinery and equipment manufactured by our industry. If we had built

a steel mill with a smaller scope, a portion of the funds thus saved could have been used for new technology in the processing industry for recycling steel.

[Question] But it is not only the Katowice Steel Mill that has led to the catastrophic state of the economy, is it?

[Answer] Certainly not. A series of errors in investment policy were contributing factors--we have many unsuccessful investments, such as the construction of the new Ursus tractor plant and others.

[Question] How has this affected the market?

[Answer] Anyone who has consulted an economics textbook is aware of the concept of the division of production for society, the means of production and the means of consumption into the first and second sectors. A condition necessary for equilibrium is that wages received by workers of the first sector, i.e., that sector producing the means of production, must be covered by the production of the second sector. These basic proportions have been disrupted. An ever increasing share of employment and of funds has shifted to the first sector and the wages of employees in this sector have increased; on the other hand, the second sector has produced less and less. The inflationary gap has grown from year to year. The structure of investment production has generated greater and greater amounts of money which are not covered by goods and services on the market.

[Question] And have none of the experts on the Planning Commission even noticed this situation?

[Answer] Economists have been uneasy about our methods of economic management since about 1975--we realized where we were headed. Industrial subbranch pressure groups, however, were significantly stronger than the general viewpoint of society. The development of heavy industry brought moral rewards--the propaganda lauded its successes, and it was not long ago that "pilgrimages" were made to the site of the third furnace. I would like to point out that pressure from industrial groups is a worldwide phenomenon--we were too late in noticing the fact that they also have their place in the socialist structure and we did not succeed in counteracting this pressure in the name of the general interest of society.

[Question] But little can be changed; considerable funds have been committed. The question arises--what next?

[Answer] Our investment commitments at this time--if we consider only our tasks--amount to 1.1 trillion zlotys (1.3 trillion zlotys according to complementary calculations). To complete all of these investments would exceed the possibilities of our economy. We must both reduce our investment commitments and change their structure. Someone may say: we should finish what we started. Theoretically this would be the best way, but in light of conditions of the decline in national income and the necessity to maintain the living standard this is impossible.

[Question] What are the preferential directions of investment at present?

[Answer] Our main attention should be directed toward the food and agricultural complex, light industry and small-scale industry (including the cooperative movement).

[Question] And what about our large-scale investments?

[Answer] In the general interest of society these must be maintained. But this is easier said than done. We must act in such a way as to minimize the social losses. We should reevaluate our investment potential, but not in a mechanical way--it makes no sense to entrust the construction of housing to the highly specialized enterprise of industrial construction. This involves a great social problem as well: retraining some of those employed in large construction projects. The industry drew them from all over the country and they made good wages. It is not their fault that they were employed at the construction site of the Katowice Steel Mill. They will have to be transferred to export production, to services, to modernization projects (e.g., at other mills).

[Question] The conversion of some of our factories from production of the means of production to the manufacture of market goods will be an important task.

[Answer] The conversion of production is also a difficult problem. It is hard to imagine that in our plants where massive machinery and big overhead cranes now stand we will suddenly be sewing women's clothing. Consequently, what is necessary is indirect conversion--the production of capital goods would either be directed toward export rather than for domestic usage, or the funds earned would be used to buy raw materials for market production, or following a change in production structure, industry would utilize what has been under-invested up to the present time--in the foods complex and in agriculture. All of these moves must be carried out in a rational manner, not hastily. In many factories, however, direct conversion is possible, i.e., the conversion of production to market production.

[Question] Will conversion be possible everywhere?

[Answer] No. We will have to halt production in some departments, redirect the raw materials which they formerly used to plants in production for export and for the market, and give their personnel other work.

[Question] Such a shift of production and personnel arouses much concern among those who are directly involved.

[Answer] No one has said that this process will be simple, given its social ramifications. For this reason I envision the role of the Workers' Self-Government Conference to be a monumental one--that of generating real discussion within factories. We must count on the intelligence and initiative of personnel. They themselves may notice possibilities which are not apparent to the central authorities. We must make all workers aware that production for export and market purposes must be a real priority.

[Question] Director Gwiazdzinski, you have pointed out that the conversion of production will not be an easy process. When may we expect its initial results to take effect?

[Answer] This process will take at least 12 months, and the first results may not be anticipated before about 18 months. However, with regard to export production it may be possible to achieve results much more quickly.

[Question] In the shift of the directions of investment allocations you have proposed, among other things, directing a significantly greater amount of monies toward the needs of agriculture. Several economists have many reservations about this idea, since agriculture is characterized by a high rate of capital-intensiveness, and it takes a very long time for the investment to produce returns.

[Answer] This is only partially true. If we continue to move in the direction of a mania for bigness, for example if we build barns for hundreds of head of cattle, then we cannot expect our investment to be effective. We must carefully weigh the directions and departments of agriculture which receive the most funds. The problem is complicated by many factors, and I would like to draw your attention to one of the directions which I consider to be most important. We must endeavor to decrease our import of grains and fodder. In the first place, we must increase our own production, which will not be easy; in the second place--and here investment may produce equally rapid results--we must reduce the enormous percentages of loss in Polish agriculture through storing and the like. This is a problem which is basic to our whole economy, not only to agriculture. We prefer to invest rather than to economize. It affects agriculture, metallurgy, the power industry and other industries equally.

[Question] The "economic maneuver," the goals of which approached your proposals today, lies within our memory. In effect this maneuver resulted in a paradoxical situation: while the share of metallurgy, mining and the power industry in all investments reached 14.3 percent in 1970, which in itself was a high rate, according to the "maneuver," which was to reduce it, in 1980 the share of the above subbranches increased to 17.2 percent. What must we do in order that we may not repeat this paradox?

[Answer] Above all we must return to the primary role of the central plan in undertaking important strategic developmental decision making. The "open plan" promoted until recently was simply not a plan. The central plan was bogged down in details, while large programs were being implemented outside of the plan. Secondly, we must restore the possibility of evaluating individual plans of large investments: this should be done by an independent group of experts. Such a form of preparing for decision making would enable us to detect many dangers beforehand. I would assign such a role to the professional press, which, with the exception of justified cases demanding state secrecy, should regain the right (of which it is now deprived) to criticize concrete plans.

8536

CSO: 2600

AGRICULTURAL SEED PRODUCTION ASSESSED

Warsaw SZTANDAR MŁODYCH in Polish 12 Jun 80 p 4

[Interview with Wacław Paszkowski, Director of the Association for Agricultural and Horticultural Seed Production, by Leszek Spalinski: "Nothing Free"]

[Text] [Question] What is the firm you represent engaged in?

[Answer] We handle experimental development of new varieties of agricultural and horticultural crops and the raising of all varieties of the crops cultivated in Poland. The next point of our operations is seed production. We supply certified seed to all of agriculture and horticulture. At the present we are supplying seed for nearly 900 varieties of cultivated crops and ornamental plants. We are working on about a million hectares of land and employ nearly 60,000 persons.

[Question] That looks rather impressive, but what sort of influence does your work have on the results of agriculture?

[Answer] How great agricultural production will be depends on the work of our people. After all we supply the basic means of production, seed. The quality of the seed determines the yields. Weaker biological varieties of seed cannot be upgraded with even the best agrotechnical methods.

[Question] Judging by the yields, you are not doing a very good job. Harvests of less than 30 quintals of grain per hectare are no reason to feel satisfied.

[Answer] If it all depended only on the quality of the seed... The varieties which we have available should be giving much higher yields than those which farmers are getting. This is not the result of a single basic cause, poor agrotechnical methods. In biology nothing comes free. The cost of high yield for new varieties is the requirement of insuring that they are cultivated with greater care, under better vegetation conditions, with greater chemical protection, and

so on. High-yield varieties are just very delicate. They produce high yields, but only under certain specified conditions.

[Question] But everyone knows that we are not going to manage to have ideal conditions for agricultural production for a long time to come. We may have justified doubts as to whether this task is possible to accomplish at all. Therefore, instead of experimenting with grain varieties which produce yields of 100 quintals per hectare under ideal conditions, we should rather focus instead on developing varieties which produce yields even only half as great but are faithful producers even under completely ordinary conditions.

[Answer] I cannot agree with such a line of reasoning. If we want to achieve progress in crop production, we have to have high-yield varieties available, and there have to be agrotechnical adaptations to these new varieties. On the other hand it is true that it makes sense to conduct research only when alongside, or, at the very least, with very little delay, the whole sphere is going to be modernized. We call this conventionally the action of the man in the field.

[Question] But it is not that way.

[Answer] And for this reason we are bearing entirely calculable costs.

[Question] Please give some concrete examples.

[Answer] We have marvelous single-sprout beets, but so what, if industry does not produce any good seeding machines? I do not want to brag, but if the plant developers managed in time to notice that there were going to be fewer hands to work in the rural areas and today we have beets whose cultivation requires far less work, then why were the managers of our industry unable to notice this problem?

[Question] I think that the same can be said about far more of them. Artificial fertilizers, plant protection agents, and so on. The deliveries of these things have remained at just about the same level for a long time now.

[Answer] That is true. The deliveries of certain chemical agents have even declined below the levels of 2-3 years ago. But we have a certain economic situation, and we cannot afford to fully satisfy all needs. This of course has an effect on the size of yields.

[Question] We are giving up the importation of means of production for agriculture. We have lower harvests. Hence we must eliminate the fodder shortage by importing grain. Is this profitable?

[Answer] Sir, we can talk about whether or not something is profitable when we have the possibility of a choice. But when you have empty pockets, the best calculations, even, will not fill them.

[Question] What sort of effects are obtained from the seed-raising work being done by our researchers?

[Answer] To put the thing in very greatly abbreviated form: in many species of plants we are at least on a very good European level. This pertains, for example, to grain and sugar beets. Over 60 of our varieties have been registered in European countries as the best varieties, recommended for cultivation.

[Question] How many years do you need to develop a certain variety of crop?

[Answer] At least 10, provided that a whole team of people take up the problem, not just one person.

[Question] That really is quite a long time, but that is probably all right. You can also spend as many years on the technical side preparing agriculture for the introduction of new varieties of cultivated crops...

[Answer] Theoretically, you are right. In practical terms, as we have already said, it is somewhat different.

[Question] Maybe that is because you do not provide information soon enough ahead of time about the results of the developmental work you are doing?

[Answer] We work in accordance with the plans. This work is not a secret. Unfortunately other contractors in agriculture do not always stick to the plan. We are given the task of obtaining modern varieties producing high yields with a high level of fertilizer application. We introduce such a variety for cultivation, but in a certain sense our efforts are wasted, because fertilizer production falls below the target. The modern variety does not produce the yields anticipated, because not enough fertilizer was applied.

[Question] For the moment let us shift to more prosaic matters, to supplying agriculture with seed. This year, in many regions of the country the farmers had trouble buying good sowing material.

[Answer] I do not agree with that hypothesis. There were no such situations where we did not meet the seed demands of agriculture. There was no land that was not sown.

[Question] There has been and still is the problem of the quality of seeding material. Things have gotten to the point where seed of an ever lower quality is being used.

[Answer] It may happen that seed reserves are exhausted and harvests from seed plantations are lower than those anticipated. Then a flexible

seed policy must be waged. As a substitute, seed of other varieties and even other species of crop must be introduced. Practically speaking, these problems with supply apply only to oat, lupine, and serradella. After all, the problem with oat seed would not exist if we had the proper warehouse storage facilities, because there is no problem obtaining the sufficient quantity of seed. The problem is with storing it. On the other hand, there are no problems with obtaining horticultural seed. And this is really good sowing material.

[Question] If the situation is so good, why do the horticultural people have to pay for seed in convertible currency?

[Answer] But really our storehouses are full. We even have certain surpluses of horticultural seed. For us, today, the important problem is where to store the seed from this year's harvests. If people are buying seed at PEWEX, this is either the result of poor retail distribution of a commodity which is plentiful or the unjustified conviction of some of our customers that foreign seed is better than domestic seed.

[Question] Do you think that the imported seed is no better than the domestic?

[Answer] We do seed reproduction for PEWEX suppliers. This means that a foreign customer buys seed from us, and later after putting it into attractive packaging he sells it through PEWEX.

[Question] How much do we lose in the transaction?

[Answer] We cannot compete with the foreign firms. We do not have the paper or the polygraphic base. For this reason we are forced to sell the seed out of a bag.

[Question] The farmers are more and more interested in raising corn. Has this interest been considered in your developmental work?

[Answer] At present we are supplying 40 percent of the Polish corn mixtures. We import the rest.

[Question] This is sure to be rather expensive import. Does it not seem to you that introducing a crop for cultivation when we do not have the seed and basic seed-cultivation material is a rather breakneck enterprise?

[Answer] Even if we were to have seed-production on the obtaining of enough mixtures, even that would not do much. Owing to climatic conditions, seed production can be set up in only a very small part of the country. And we do not have suitable technical facilities to make it possible to prepare a larger quantity of seeding material.

[Question] Then maybe it would be cheaper nonetheless to buy the technology than to maintain high imports of grain for sowing?

[Answer] We bought two plants which can prepare 6,000 tons of grain for sowing. On the other hand, each year we need 40,000 tons of seed. At the moment we cannot expand seed production owing to both economic factors -- plants like the one I am talking about cost a great deal -- and to climatic ones. This is the way things will look in the future: We want to be self-sufficient in terms of mixtures and seeds for early varieties of corn. Buying them abroad costs the most. On the other hand, we can buy varieties of later varieties from CEMA countries. In order to dispel all doubts, the value of our exports is far higher than that of our imports. But I do not know how much longer it will be that way.

[Question] Are you losing markets of sales?

[Answer] For us the export profitability indices are unfavorable. The same standard of measure is used for us as for factories. The effects are such that it is theoretically unprofitable for us to export grain even when the yield sold per hectare is the financial equivalent to the grain yield of two hectares. In addition, we cannot think for the moment about expanding exports, because we do not have an adequate technical base to make it possible to expand production substantially. This also pertains, of course, to the solution of problems related to the supply of our agriculture.

[Question] The number one problem for our agriculture is the shortage of fodder. What is your firm's role in solving this problem? From time to time there is information which sounds revolutionary concerning new fodder crops, of a Polish soy which would improve the protein balance, and about a heracleum which is supposed to supply tremendous quantities of green fodder.

[Answer] Polish soy and heracleum [type of beet] at least today are not crops which can really help solve the fodder problem. Our seed-raising efforts are focused on obtaining increasingly more productive high-quality varieties of cereals, peas, and potatoes. We are working on new varieties of rye. We already have our own varieties of oats. We are obtaining very good results on wheat-rye plantations. This is a crop which is comparable in quality to wheat but at the same time it has the soil requirements of rye and can therefore be cultivated in the majority of our soils. We have an absolutely revolutionary variety of potato too, an early potato with high starch content. Then finally there is the pea, which after all is a crop containing 40 percent protein. And I think that the improvement of just these crops which have been traditionally cultivated in our country is the way to improve the fodder balance.

[Question] Thank you for the interview.

10790

CSG 260

REDUCTION OF FOREIGN TRADE DEBT CALLED DUTY OF ALL

Bucharest SCINTEIA TINERETULUI in Romanian 25 Oct 80 p 4

[Article by Virgil Simion: "Foreign Trade--in Full Accord with the Requirements and Possibilities of the National Economy, in the Interest of the Present and Future of the Country"]

[Excerpts] The situation is not pleasant for many developing countries for whose economies the resorting to credit represents an inevitable solution. But, sometimes, credit constitutes the only solution for payment for raw materials or advanced technologies which the respective countries must import to continue the process of development so they can integrate themselves most efficiently in the international division of labor.

Why It Is Necessary to Reduce Our Foreign Debt

Comrade Nicolae Ceausescu referred to these realities at length--presenting a penetrating, clear and realistic analysis--in his speech at the recent plenum of the RCP Central Committee, stressing the necessity to end, as soon as possible, a situation which requires that a part of our national income must go to big finance abroad, in the form of interest on credits.

What are the principal ways of eliminating this situation? Within certain limits, credit represents an active instrument in the development of international trade, and international economic collaboration and cooperation. Romania has used this means, sometimes to achieve certain imports of raw materials and, especially, to assure the development of large and modern production capacities, with the goal that, from the utilization on the international market of highly technical products, produced by means of raw materials or technology purchased, cash would be obtained which would cover the credits and interest and even create supplementary assets for purchasing--without credits, by direct payment--additional technology or raw materials necessary for the process of enlarged reproduction. In such a situation, credit can become a commercially advantageous instrument. Unfortunately, we have not succeeded, in all cases, to achieve such an objective, to increase exports and to reduce imports to an extent which would assure us an active commercial balance. This was the result of objective causes--including, first of all, the accelerated increase of prices for some raw materials, in particular, for oil--but also, it was a result of some deficiencies in our economic activity. For example, the failure to achieve in the annual plans the planned quantities of petroleum and coal which had to be imported gave us a deficit of more than one billion dollars. On the

other hand, the failure to achieve the planned industrial exports--especially, from the modern production capacities which we built with foreign credits for the purpose of taking care of our own needs and also of exporting--deprived the national economy of the opportunity of reaping large amounts of hard currency. As a result, if better work had been done in the extractive industry and in the processing industry, the situation of the balance of payments and our foreign debt would have been better and the part of the national income which we had to allocate or which we will have to allocate in the future for credit and interest would be smaller, which would be to the benefit of the more powerful development of the national economy and the more accentuated growth of our standard of living.

This is why, in the interest of the present and future of the country, we must all with all our forces--strengthening one's own effort--so that by assuring the good progress of the national economy, we will reduce foreign indebtedness as much and as quickly as possible. The only real possibility is to export more so that we can pay for the imports and a part of the credits. This is one of the fundamental objectives of next year's plan, which was clearly expressed by the secretary general of the party in his speech. A simple calculation offers the most convincing argument. A debt of one billion dollars paid completely at a fixed rate over a five-year period, by a final effort postponed from one year to another, would mean 1,760,000,000 dollars; paid in stages in five years it would be only 1,160,000,000 dollars. The difference is a sum of money which could buy about 2 million tons of petroleum; by us, in the second case, by our creditors, in the first case. The payment of this credit in only two years would mean only 1,180,000,000 dollars, which would add almost another million tons of petroleum to the wealth of the country. This is an example which confirms how vital it is that we take action on the path indicated by the secretary general of the party.

Each Young Person in This Country is Working and is Responsible, in a Way Per Export

It is clear to all of us what we have to do in the last quarter of this year and next year. The problem of achieving and surpassing export duties is fundamental in the activity of all collectives of workers, regardless of where they carry out their activity, regardless of whether or not they have export plans. In practice, there is no collective which, in one way or another, should not work for export. So, when we discuss lags or over-fulfillments in this important chapter of the plan, the deficiencies or merits are much greater than many of us are accustomed to regard them. Unfortunately, such an attitude is also evident in the activity of numerous Union of Communist Youth organs which are amazed when they are asked: What contribution is the Union of Communist Youth organization making to the fulfillment of the export plan of the enterprise, the county or the country? Experience existing in many other organizations shows that where action is taken with initiative and responsibility, the possibilities for the youth and the Union of Communist Youth organizations to contribute to achieving production for export are practically unlimited--beginning with the creation and assimilation of new products or technologies, continuing with the organization of youth groups specializing in the execution of products for export and concluding with patriotic work actions initiated for the purpose of satisfying the supply needs of domestic beneficiaries who work for export. The Union of Working Youth organs in the enterprises, municipalities and counties have the obligation to act for the extension of such work experiences, in order to fully utilize the technical resources of Romanian industry, so that no

contract concluded with foreign partners will fail to be honored, so that no foreign financial resource which might come into our budget as a result of our work will be lost.

The Reduction of Imports Includes the Efforts of All, at Every Workplace

Imports are on the other side of the scales of the balance of trade and/or payments. Reducing them to a strictly necessary minimum is a requirement which is placed not only on the planning organs and the decision-making organs but also on the places where each resource is consumed and produced. For example, the future reduction of imports of petroleum, coal and other raw materials is not resolved by a decision but, on the one hand, by the fulfillment of the plan for the extraction of these resources, and, on the other hand, by strictly adhering to the planned limits for consumption. This presupposes a spirit of responsibility and the application of new or perfected technologies. This presupposes initiative, full confidence in one's own forces and the science of utilizing resources with maximum efficiency for the good of society.

For a foreign debt of one billion dollars, an annual interest of 120 million dollars is paid. This sum corresponds, for example, to our entire import of cotton at hard currency prices for a year, with which we produce one-half the cotton articles produced in the country; this means that, without receiving anything, we must give over an equivalent portion of our national income to foreign banks. This is why we must act so that, by assuring the good progress of the national economy, we will reduce our foreign debt as much as possible and as rapidly as possible--by substantially increasing exports, the only way of assuring the means of payment necessary for the economy of the country and by the continued reduction of imports, their limitation to what is strictly necessary and the better utilization of our own potential.

DATA ON EXPANSION OF AIR SERVICE, NEW INTERNATIONAL AIRPORT

Bucharest. INFORMATIA BUCURESTIULUI in Romanian 1 Nov 80 pp 1, 2

[Article by Mihai Barbulescu: "Participants in the Inaugural Flight from Otopeni to Timisoara International Airport"]

[Excerpts] It is 7 AM. We are in Bucharest Otopeni airport, boarding a modern TAROM [Romanian Air Transport] airplane for the inaugural flight to the Timisoara International Airport. We are taking advantage of this opportunity to talk to Comrade Alecu Dumitrescu, airport director in the Department of Civil Aviation, about the new accomplishment--the conversion of the Timisoara airport into an international airport.

Dumitrescu: "The development and modernization of the Timisoara airport was the object of large investment works. The principal objectives achieved were the extension of the take-off and landing strip from 2,500 meters to 3,500 meters as well as its consolidation so as to permit the accommodation of Boeing 707 and IL-62 large capacity airplanes, with maximum loads. Also, the airport was equipped with modern navigational means of protection, runway lighting systems of high intensity, and equipment for the automatic transmitting of meteorological data--which ensure that the Timisoara airport is in the ranks of category 2 airports as classified by the International Organization for Civil Aviation. The airport facilities were expanded, thus making it possible to execute the simultaneous directing of domestic and foreign flights and the simultaneous execution of departures and arrivals. The airport has ultramodern airport technical equipment. Most of the investment projects were executed by our own resources, from within the country. The achievement is in response to the increase in the volume of domestic and international traffic in the western part of the country. Also, some domestic flights on the Bucharest-Timisoara route can be made from now on with BAC 1-11 planes, with large capacity--104 seats--with higher speeds. In this context, I would like to mention that in the coming 5-year plan, a regional radar system for direction and control with a radius of action of about 300 km will be set up in the western part of the country."

This is the time to mention some of the achievements of TAROM during the five-year plan which is concluding and prospects for the coming five-year plan. Comrade Ion Zafiu, the commercial director of the company, mentioned a few of these achievements and plans:

Zafiu: "In the current five-year plan, there was an 83 percent increase in the volume of activity in the transporting of passengers and freight compared to the

previous period. The domestic fleet of planes was renovated and the old IL-14 airplanes were replaced by AN-24 planes, which are superior in regard to capacity, speed and comfort. On some routes, BAC and IL-18 airplanes are operating. A new airport--Caransebes--was created and modernization work was done on many others. New air routes were created: Lisbon-Casablanca, Tripoli, Belgrade, Abu Dhabi-Bangkok-Singapore, Tirana, Damascus, Amman, Kuwait and this year, the second flight to New York, through Vienna, has been in operation. Turbo jet TU-154 (150 seats) and BAC 500 (104 seats) airplanes have been added to the fleet of the company. In the coming five-year a 23 percent increase in our activity is expected, compared with the 1976-1980 five-year plan. The Suceava, Tg. Mures, Baia Mare and Oradea airports will be modernized, with the construction of new air terminals and the extension of runways. On the domestic routes, in addition to the AN, Romanian airplanes of this type will be introduced in the framework of the program of the development of airplane construction, in collaboration with the BAC firm. The international air routes will be lengthened and new ones will be created."

CSO: 2700

SLOVENIAN COOPERATION WITH TREPÇA PLANT IN KOSOVO

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 20 Oct 80 pp 32-33

[Text] Following a visit to the Trepça Combine in which they familiarized themselves with its present and future production and toured the plant representatives of a Slovenian delegation consisting of business executives from the Socialist Republic of Slovenia joined [a Kosovo delegation consisting] representatives of the Trepça Combine and the Kosovo Economic Chamber in agreeing that mutual interests exist and that there are possibilities for long-term cooperation. On the basis of topic studies and proposals for cooperation already prepared the two delegations agreed on the following:

The Slovenian delegation is prepared to study the possibility of reconstruction of the phosphoric acid plant, which operates as part of the work organization Hemijska industrija (Chemical Industry) and to make the transition from the present process to the better-known and time-tested dihydric [sic] process. The Slovenian delegation is prepared on the basis of an examination of the technological documentation supplied by the work organization Hemijska industrija to make an estimate of the necessary work and cost in the shortest possible time.

By 15 November of this year the engineering firm SMELT will submit a bid for construction of a tribasic sodium phosphate plant with an output of 20,000 tons on the basis of technology which it possesses in collaboration with TKI of Hrasnik. The engineering firm SMELT will also join representatives of the detergent industry in making a market analysis of consumption and future sales of detergents in Yugoslavia and abroad, which it is to deliver in 2 months to the Trepça Combine. Once the necessary capacities have been established, SMELT will also submit a bid for construction of the plant for detergent production.

In view of Trepça's programs in finishing operations (lead, lead oxides and pellets [original reads "pallets"] of PVC stabilizers), there is a need to furnish a complete line from lead to litharge and PVC stabilizers and to furnish the technology for production of red lead from raw litharge. Trepça also has a marked interest in commissioning SMELT, in cooperation.

with Helios and the Zinc Smeltery of Celje, to select the most appropriate technology and to arrive at the proper scale of a plant in view of the need for red lead for this installation.

The Slovenian delegation and its representatives will also draw up a proposal concerning the possibility of finishing operations for special glass. The engineering firm SMELT has submitted a bid for preparing an investment program for production of cadmium salts and pigments, and within 10 days Trepca will state its position on the bid and the future form of cooperation. The engineering firm SMELT, in cooperation with TKI of Hrasnik, will submit a report to the combine within 2 months on the possibility of manufacturing tribasic calcium phosphate (fosfo gips), along with an analysis of the market.

As for cooperation between the storage battery plants at Trepca and Mezica, it was concluded that a special visit of representatives of Mezica to the storage battery plant should be organized so as to familiarize themselves with the scope of research in the field of special alloys and active materials for the storage battery industry, especially for storage batteries which do not require maintenance. In the meetings of representatives it was proposed that a joint program be drawn up on use of waste by-products in lead and zinc metallurgy, a project in which the following would participate: the Boris Kidric Institute, the School of Metallurgy and the Trepca Lead and Zinc Institute with a view to use of those products which occur as slag in production.

In paint and varnish production, since certain contacts have already been made between Ekstra of Vucitrm and Kolor, Helios and Isplas, and since Ekstra has shown a marked interest in expanding that cooperation in development of anticorrosion coatings and varnishes for the wood industry in the sense of a transfer of technology from Helios and Kolor, the Slovenian delegation will submit a report on the possibility of that kind of cooperation.

On the basis of a proposal of EMO of Celje concerning cooperation in hot dipping (galvanization) of sheet and in the manufacture of containers, it was concluded that the possibility of this cooperation does exist and that more specific agreements will be arrived at in that direction.

In the domain of scientific-technical cooperation, an agreement was also reached pertaining to the offering of aid in maintaining special instruments of the Lead and Zinc Institute. A list will subsequently be furnished of the necessary repairs, and on that basis the Boris Kidric Chemical Institute will study the possibility of extending aid.

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BRIEFS

EMPLOYMENT IN 1981--According to the report submitted by the FEC (Federal Executive Council) to the SFRY Assembly on the questions of economic policy for 1981, the rate of employment will be only about 2 percent. This means that only about 110,000 persons can be hired in the socialized sector of the economy, or about 230,000, including replacements for deceased and retired employees, and about 15,000 persons in the private sector. Thus, the problems of employment will be very much in evidence in 1981 and in certain regions very tight. [Excerpt] [Zagreb DELEGATSKI VJESNIK supplement to VJESNIK 29 Oct 80 p 20]

ENERGY PRODUCTION--In the first half of this year 27,302,000,000 kwh of electric power were produced, or 4 percent more than the plan, and 9.5 percent above the same 1979 period. Hydroelectric power plants produced 15.3 billion kwh, or 23.4 percent above the plan, thermoelectric power plants produced about 12 billion kwh or 86.6 percent of the plan. Electric power consumption in this period amounted to 27,015,000,000 kwh, or 12.5 percent above that consumed in the first half of 1979. The reorientation of consumers to electric power which can be expected in the last quarter of this and the first quarter of next year could create serious problems. This could happen if in the next months there is a drought or a temporary shortage of liquid fuels and gas. In the first half of this year 22.2 million tons of coal were produced, or 6.5 percent above that produced in the first half of 1979; the highest increase was in the production of lignite (8 percent), while brown coal production increased 2.3 percent and that of hard coal was 12.3 percent below that of last year. A total annual production of about 47 million tons is expected this year which would be about 12 percent more than last year, but about 6 percent less than the plan. Not one of the three most important and most radical proposals of the FEC on assuring funds for the development of coal mines has been met: [i.e.,] the self-management agreement on associating banks to pool funds for mine development; the agreement of the federation, republics, and provinces to channel some of the basic sales tax from oil derivatives to build mines producing coal for consumers other than thermal electric power plants; and the republic and provincial agreement on granting compensation to coal mines with underground exploitation. In this period the consumption of mazut and heating oil was 13.9 percent higher than last year or 15.1 percent of the consumption called for in the plan. Consumption of diesel fuels in the first half of the year was 87.7 percent of that planned, and gasoline consumption was a little lower than planned. If the trend continues in the second half of the year, the shortfall will amount to 600,000 to 700,000 tons of mazut, and about 150,000 tons of liquid gas, kerosene, and raw materials for producing industrial oil and lubricants. At the same time there would be a surplus of about 300,000 to 350,000 tons of medium-level distillates and gasoline. The above shortfall in mazut could be solved by exporting these surpluses [of medium distillates and

gasoline] importing about 200,000 tons of mazut. [Excerpts] [Zagreb DELEGATSKI VJESNIK supplement to VJESNIK 29 Oct 80 pp 20-21]

KOSOVO MINI-FARMS--The Associated Kosovo Bank has granted 860 million dinars to develop mini-farms for the production of milk on private farms. Most of these credits are granted in 1978 and 1979 when the number of organizations of farmers, associated producers and private farmers cooperating with farm cooperatives were also increasing and when there was the most interest among private farmers to develop mini-farms and promote livestock production. The use of credits, however, is not developing according to plan. Up to now credits have been granted for developing about 1,200 mini-farms for milk production from six cows each, but such development has been only about 30 percent achieved. The newly built farms have thus far completed about 50 percent of their capacities. Development is lagging especially in basic organizations for associated work for cooperation in Pec, Klina, Urosevac, Gnjilane, and in farm cooperatives in Vitina and Kosovska Kamenica. Of the 100 mini-farms planned in Pec, only 10 have been built; and of the 42 agreed upon in Gnjilane only 2 have been built. The "Kriva Reka" agricultural cooperative in Kosovska Kamenica has been granted credits for 72 farms, but only 38 have been contracted for and only 20 built. Among the reasons for slow use of credits is lack of construction materials, professional cadres, and the failure to make a correct selection of farms able to develop mini-farms and organize the production of milk and meat. However, there are also good examples of credit use to develop mini-farms; for instance, in the agricultural cooperatives in Bec near Djakovica, Velika Krusa near Orahovac, and the "Dubrava" work organization in Istok. [Excerpt] [Pristina JEDINSTVO in Serbo-Croatian 22 Oct 80 p 7]

SKOPJE BANK CREDITS--In line with the interest of work organizations to import equipment from France and Austria, the Associated Economic Bank in Skopje has decided to provide three new lines of credit for this purpose. It has opened a long-term credit line for 50 million francs with the "Credit agricole" commercial bank in Paris, to be used most probably by the "Zito-oriz" (Grain-Rice) enterprise in Kocani to import equipment for a new factory producing children's food, by the "Jugotutun" enterprise in Demir Hisar and the "Lozar" enterprise in Bitolj to import equipment for a fruit and vegetable processing plant, and the "Tikves" agricultural combine in Kavadarci to import wine-making equipment. The 100-million-franc credit line with the "Societe General" will be used by the "Jugohrom" enterprise in Tetovo which plans to purchase cable cars and ski lifts on Popova Sapka. A credit line for 50 million shillings has been agreed upon with the Lander Bank in Vienna to import equipment from Austria; it will be used by the Ceramic Industry in Kumanovo and the "11. oktombri" seamed pipe and section plant in Kumanovo. [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 13 Nov 80 p 1]

MONTENEGRIN FOOD NEEDS--Montenegro cannot meet even one-half of its needs for agricultural and food products from its own production. Of the 3.1 billion dinars it spends annually to buy such produce in other republics and provinces, it buys 1.6 billion dinars worth from Vojvodina (50 percent of which is meat and meat products, 30 percent is wheat, 12 percent sugar, and the remainder corn and fats, edible oil, etc.) This year imports from other countries will cost somewhat more than 1 billion dinars, over 50 percent of which is coffee and southern fruit. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 27 Oct 80 p 14]

SLOVENIAN AID PLANS—According to planners, Slovenia in the next 5-year plan will contribute at least 9.1 percent of its social product, or more than 90 billion dinars (1979 prices) to other republics and provinces; this is about 24.5 billion dinars more than in the 1976-1980 period. For the development of other republics and provinces, including the problem of unemployment in these [underdeveloped] parts of Yugoslavia, and the satisfaction of some essential developmental and strategic economic needs, Slovenia will contribute most through increasing its funds for joint investment in other republics and provinces; namely, 19.8 billion dinars are planned for this. The funds allocated for this in 1981-85 will be about 6 times more than in the 1976-80 plan period and their share in the total funds for reproduction in material production will increase from 1.5 to 6.4 percent. But the total funds available for reproduction in material production will increase by only 14 percent. When one adds to this Slovenia's contribution to the Fund for Granting Credits to the Underdeveloped Republics and Kosovo, one-half of which will be realized on the basis of self-management association of labor and funds, the share of investments in the development of other republics and provinces within Slovenia's total funds available for reproduction in material production will increase to about 10 percent. [Excerpt] [Belgrade BORBA in Serbo-Croatian 11 Nov 80 p 2]

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